

Mr. LINDBERGH. Mr. Chairman, it is difficult for those who have given the thought to this Money Trust problem that the subject justifies to understand how serious-minded men can temporize the way many Members have done in this case. To allow personality or politics to influence one's action is an indication that the importance has escaped such person. I do not believe that there is a Member who would neglect his duty in this matter if he really comprehended the situation. The only thing that I would feel like criticizing the majority membership for is the way it seeks to deceive the public by having time to waste on unimportant and transient matters, but when real momentous problems are up for consideration the "previous question" is ordered and the Members gagged by the rules from explaining important measures. Not since the Emancipation Proclamation has so important a subject been before the people for their consideration as this Money Trust, but it is slighted by the leaders calling to their aid those who believe that standing in is more important to them than the real welfare of the people, so the House sets aside days to discuss political differences and personalities; but this, the most important matter, is split into a series of from 5 to 12 minute discussions, to be all cut off in 2 hours.

The Emancipation Proclamation freed 4,000,000 slaves. A proper treatment of the Money Trust resolution would emancipate over 90,000,000 industrial slaves, and yet the Money Trust is treated with kindergarten methods.

There is unrest in this country. If I alone were to give emphasis in adequate terms to the actual feeling of the people, I might be called a radical, or even a "neurotic," and possibly a "firebrand," but it does not occur to apply such terms to Judge Gary, president of the great Steel Trust, so I will quote from some remarks he made February 14 at the New York Lehigh Club, as follows:

Unless capitalists, corporations, rich men, powerful men, themselves take a leading part in trying to improve conditions of humanity, great changes will come. They will come mighty quickly, and the mob will bring them.

Mr. Gary made it very clear that people generally are "evincing a readiness to take things into their own hands." He also stated that the "spirit of unrest" is not confined to the United States, but is world-wide. "Things are being said," he declared, "very similar to things said just before the French Revolution. I tell you the spark may yet make a flame, and that soon. I have an especial reason for saying this, and a reason that affects you and me. Men of great power and influence in the forces of the country have not all of them done the fair thing."

The unrest referred to by Judge Gary he thinks so serious that it threatens revolution. No honest student doubts the seriousness of the unrest, nor does he doubt there being a real cause for it. The cause is the Money Trust and its allied interests. But in the face of its supreme importance we, here in this House, are kept from giving the matter proper consideration because of petty politics and personalities.

I share Gary's views that there is unrest. We all know there is unrest. But those of us who had time and desire to study actual conditions and see how to apply a proper remedy know that revolution is not the remedy. We do not believe in violence, and while there may sometimes be excuse for violence, it is never justified. There are no conditions now that should lead to violence, but there are conditions that should enlist more serious views of this Money Trust and the economic problems than the House gives to them, and Members' failure to take a sufficiently statesmanlike view of the existing conditions could be the cause of the very thing that Judge Gary fears. It was like indifference to the rights of the people that caused the French Revolution, and even revolution would be better than decay. Decay is an ailment here in the House.

It is indeed a misfortune that the best opportunity that has been presented to Congress in a half century for the meeting of a great common demand has, to a certain extent, had politics injected into it. To accomplish all the good that is possible no politics should have entered. It is of the most vital importance to this country at this time that the public in general should understand the meaning of its own finances as they are handled by the great financiers. That could be done best by the appointment of a special committee, selected with a view to their knowledge of how to make an investigation and the importance of using the information in such a manner as to create the least disturbance, for it is already known that business methods have been adopted by the financial kings that are not consistent with the interests of the plain producers and consumers. There can be no justification for using facts that might be obtained for any other purpose than the correction of the present evils. They should not be used for political purposes, but simply to bring about justice in a consistent and orderly way.

When the subject was first approached Wall Street saw that the resolution was loaded with powder and lead and that it would reach to the very heart of its practices. There was an attempt to smother it, so that the public might not know its importance, but as I pushed it for consideration, the press gave it publicity, and a realization of its importance, which has been growing larger and larger, until now it is recognized by the people as a momentous problem.

I was astounded a few weeks ago by an emissary from Wall Street calling upon me and directing my attention to the fact of the immense responsibility that I was taking in pressing such a resolution for consideration, and that if I continued a panic would be brought on worse than this country had previously known. He admonished me to withdraw the resolution. To this I suggested that if there was a condition existing among the greater business interests of this country that was so rotten that an investigation revealing those conditions would cause those interests to bring on a panic, that it is better that those conditions should be known now, that at least the future of the country might be assured. It is not possible to come to any other conclusion than that if the business is being honestly conducted an investigation could not do harm, and if business is dishonestly conducted then it is necessary that an investigation should be made in order to correct it. How is it possible that any honest, patriotic citizen should consent to stop an investigation in order to conceal such conditions as those intimated by the Wall Street emissary?

The Rules Committee continued to hold its hearings. It was sought to influence its chairman and members but they refused to allow politics to enter. That not succeeding the next step was to threaten some of the leaders of the House with a panic before election unless the investigation should be prevented, but in the meantime the public was making such demand that it would be dangerous to the political interests to do otherwise than at least give the appearance of making an investigation, so the members of a standing committee were secured to conjure up in their minds a jealousy, lest their privileges should be invaded, so that they demanded that they should be given the privilege of doing the investigating.

As long as these investigations were upon other matters that did not so vitally concern the special interests members of the committees were not so jealous of their privileges, and the less important investigations were therefore referred to special committees without the least compunction. This method of evasion of responsibility by the representatives of the people is one of the mockeries of representative government. Wall Street simply entered Washington and scared the politicians. It is a matter of common knowledge among many of the Members that its emissaries have been here lobbying in opposition to this investigation; but finally, when it was seen that the public demand was so great that it had to come and that it was too late to have it absolutely muffled, the next way out was to refer it to a standing committee.

Now that the public is being heard from, there is some chance of awaking the standing committee to the responsibility and force it to act with due diligence.

I do not impugn the honesty of the membership of the Banking and Currency Committee, but in view of the apparent wrong in our present system, openly demonstrated all the time, I do, and the country must, feel that the members of that committee are not overdiligent nor even diligent in attending to the great responsibility that rests on them. They have the ability, if they will apply it, but the education of most of the members of the committee is to permit the very things of which the public complain.

The chairman of that committee has proposed, and there is now before us for consideration, his resolution, instead of the ones introduced by me July and December, 1911, and January 3, 1912, and one by the gentleman from Texas [Mr. HENRY], January 29, 1912. The resolutions introduced by Mr. HENRY and myself would permit a committee to go to the bottom of the subject and treat it with the importance of the problem. The substance of my resolution and the one Mr. HENRY introduced are the same.

I shall say little now about the caucus system. I have spoken on that subject before. I am more than ever, by the proceedings in this case, convinced of the great injustice that is being done the American people by the use of the caucus system in legislative bodies. The people will not much longer be fooled by caucus wrongs. The caucus system is to destroy popular government.

Speaker CLARK has properly stated that an investigation should take place that would go to the bottom of this subject. The Speaker has no more authority to order that investigation than any other Member of this House. It is the business of this House to direct that committee to make the investigation. The very absurdity of the phraseology of the Pujo resolution stamps upon those who are responsible for it a weakness that ought never to be shown in this House. The lack of force of the Banking and Currency Committee having charge of such an investigation is suggested in the resolution proposed by its chairman.

On the 30th of June, 1908, a law was passed directing the appointment of the National Monetary Commission, and that commission was appointed and by law was authorized to make a thorough investigation of this problem. The proponent of the present resolution was one of the members of the commission. He signed its report. There is in the report a proposed bill. He stands committed in its favor by having signed the report. By section 56 of that bill it is proposed that the Government of the United States shall give absolutely free to the proposed association approximately \$220,000,000.

Other provisions of the same bill make it optional with the association to get \$680,000,000 more free. Section 56 provides that the association shall pay a special tax on as much of the first \$900,000,000 of its note issue as it buys 2 per cent United States bonds from the subscribing banks.* By section 49 the association is required to offer for a period of one year to buy from the subscribing banks their 2 per cent United States bonds securing their circulation. But there is no provision that the banks shall sell these bonds, and if the banks do not sell them to the association, and they retire their circulation, then the association will have the privilege of issuing \$900,000,000 absolutely free from tax for a period of 50 years.

There is no reason to believe that the subscribing banks will transfer these bonds to the association. It would be a bad business proposition for them to do so, for the Government has reserved the privilege to pay the bonds in 1930, and in order to maintain its credit, as it should, will likely pay them. The banks can draw 2 per cent interest on practically \$680,000,000 United States bonds, retire their circulation, and in 18 years collect \$244,800,000 interest, and by so doing save their association \$675,000,000 of taxes for the period of its charter. Does anybody expect, is it reasonable to expect, that these banks that are in the business for the profit there is in it are not going to use the opportunity?

That is not all. In that same bill, by other sections, it is provided that the association may issue any amount of its notes without paying any tax whatever if the amount issued is covered by lawful money held by it. There are provisions in the bill by which the United States is to turn over its general funds and still other provisions by which the association can secure the reserves of the banks throughout the country. These reserves which the association secures from the banks and the Government deposits will at one and the same time act as reserves for the banks and as lawful money to cover association note issues to save it from taxes. Within one year after the association would begin business it would have from the Government, and as reserve agent for the banks, lawful money on which it could, if it chose, issue more than a billion dollars to lend to its subscribing banks—a gift, pure and simple, to the great moneyed interests. Why, if such a gift is to be made, not let the people have the advantage instead?

That was the report signed by the proponent of the Pujo resolution. The gentleman, no doubt, is sincere, but he has not entered into a study of these problems in such a way as to be able by his work to promote the general welfare. He has been willing to and has signed the report by which the people of this country would grant the privilege to a private monopoly to issue money free of charge and give it legal tender. Several other of the members of the Banking and Currency Committee served on the National Monetary Commission and signed the same report. Are we going to turn over the money investigation to them? If we do, we must expect the investigation to be made from the viewpoint of bankers, whereas it is the wish of the country that it should be made for the purpose of all business and the people in general.

The purpose of this investigation was to get information to enable Congress to pass proper laws on the subject of banking and currency. We are asked to turn the whole matter over to bankers and the attorneys of bankers. It is on the same principle as if we would appoint J. Pierpont Morgan, John D. Rockefeller, and Andrew Carnegie, and a few more of the same school to investigate the trust problems and report their investigations and recommendations to Congress.

The Pujo resolution reads as follows:

Whereas the Committee on Banking and Currency is vested with the power to propose to the House all legislation relating to banking and currency; and

Whereas said committee is desirous of securing full and complete information regarding the banking and currency conditions of the country for the purpose of determining what legislation is needed: Therefore be it

Resolved, That the Committee on Banking and Currency, as a whole or by subcommittee, is authorized to sit during the sessions of the House and the recess of Congress, to compel the attendance of witnesses, to send for persons and papers, to administer oaths to witnesses, and to employ experts, counsel, accountants, and clerical and other assistants.

My resolution reads as follows:

Whereas the money, exchange, deposit, reserve, and credit systems are essential to the business relations of the people with each other, requiring that they should be administered on a commercial and not a speculative basis in order to facilitate the dealing in, distributing, and exchanging of products, services, and articles of commerce; and Whereas it appears that our present system of money, exchange, and credit entails on the people enormous losses, due presumably to speculation, gambling, and manipulation, which are not necessarily incident to a natural commerce; and

Whereas it appears that these practices are directed through well-defined centers, the greatest of which, it is believed, does now actually have the power of controlling credit, exchanges, and deposits to the extent of being able to actually bring on business depression and even business disaster; and

Whereas there appears to be a constantly increasing power in certain individuals and corporate concerns to concentrate and control, for selfish purposes, the moneys, finances, and credits of the people: Now therefore be it

Resolved, That a committee of five, to be selected by the House, is authorized and directed—

First. To investigate as to whether there are or are not combinations of financiers or financial institutions or corporate or other concerns who control the money and credits, and through that control operate in restraint of trade and in violation of law.

Second. To investigate whether there are practices by which the spirit of the national banking laws is being violated in the organization of banks by the use of the kiting system of notes of the organizers, or by the use of others' notes through the organizers, or if any improper means are used to form the basis for any part of the capital of banks.

Third. To inquire into the deposit and use of the reserves by the banks, and especially that portion of the reserves authorized to be kept in the reserve and central reserve banks, and also the effect of the reserve system on the finances of the country.

Fourth. To make report to Congress on their investigation on said subjects and those matters having direct connection therewith, and make suggestions for further legislation if such seems to be necessary.

Said committee, as a whole or by subcommittee, is authorized to sit during sessions of the House and the recess of Congress, and the hearings shall be open to the public, and the committee, as a whole or by subcommittee, is authorized to employ clerical and other assistance, to compel the attendance of witnesses, to send for persons and papers, and to administer oaths to witnesses.

Then I amended that by adding the following:

To amend House resolution 314.

Whereas H. Res. 314 provides for the appointment of a committee to investigate as to whether there is or is not a Money Trust; and

Whereas it is common knowledge that certain of the larger and more important national banking institutions in New York City and in Chicago are owned and directed by those who are also in control of the larger and more important insurance and trust companies and industrial and railroad corporations of the country; and

Whereas frequent fluctuations in the prices of various and numerous stocks and shares of corporations have in the past brought great loss to the general public and in many instances to the people whose money was on deposit in said banking institutions; and

Whereas it is also common knowledge that the directors of said institutions have in the past profited largely by said fluctuations and manipulations of stock prices; and

Whereas there are certain subjects to which the attention of the proposed committee should be specifically directed as bearing on the main purpose of the resolution: Now therefore be it

Resolved, That without limiting or diminishing the present scope of H. Res. 314, the same shall be amended by adding to the four directing clauses thereto the following:

Fifth. To ascertain the ownership of stock and the practical control of the principal banks and trust companies eligible under the latest proposal of the so-called Aldrich plan, and as the same shall finally be submitted by the National Monetary Commission, to subscribe for and hold the stock of the proposed National Reserve Association, and if that is not the name proposed by the plan of said National Monetary Commission, then the association that will be proposed, and so far as practical to ascertain what relation in stock ownership, control, and management such stockholders have in the principal trusts that control the industries, railroad systems, and the large properties, and also, so far as practical, the influence these exercise over smaller banks and institutions throughout the country, so as to show what community of interest there is in the general scope of their business, and whether or not the business is generally conducted so as to conserve the country's general welfare.

Sixth. To ascertain the facts with reference to the use of the reserves by the reserve and central reserve banks, and so far as practical, to ascertain what proportion of the reserves are redeposited by the reserve in central reserve banks, and what percentage of the fixed reserves of the reserve and the central reserve banks are loaned, and so far as practical to determine what proportion of the deposits in the reserve and central reserve banks are loaned to persons and concerns engaged in commercial as distinguished from those engaged in speculative schemes.

Seventh. To ascertain the facts in regard to the control and use of the funds and resources of the principal life insurance companies, and whether or not they are so manipulated as to deprive the policy holders of a large part of the profits justly due them, and whether the management of these companies are or are not practically in the hands of a small group of speculators who use them for selfish purposes and in the interest of the Money Trust.

Eighth. To ascertain, so far as practical, the facts in regard to the loaning of surplus funds by country banks and the banks of the smaller cities, and what proportion of such funds are diverted from the localities of their origin in loaning to borrowers in other localities, and the effect of such diversion on the necessities of the local communities, and also the general character of the business in which the funds so loaned are used.

Ninth. To ascertain, as near as practical, how much cash is tied up in what are termed fixed reserves in (a) country banks; (b) reserve banks; (c) in the banks of the three central reserve cities, separating each of the latter, and from that determine, as near as practical, the working margin practical for business operation and particularly the holding, and and separately if the country banks and reserve banks

keep larger deposits in other banks than are necessary for current exchange, and if the interest paid by banks to each other exceeds the amount of such balance and to what extent.

Tenth. To ascertain whether the stockholders in the larger banks in New York, Chicago, and other large cities, or the banks themselves, or their controlling directors, directly or indirectly, have been using the funds on deposit with them for the purpose of buying and selling stocks and other securities for the purpose of manipulation on the stock market or upon the New York stock market, produce markets, or other markets.

Eleventh. Find the facts concerning and the inspiration for the formation and organization of the First Trust & Security Co. by the First National Bank of Chicago, Ill.

Twelfth. Find the facts concerning and the inspiration for the formation and organization of the First Bank Security Co. by the First National Bank of New York City.

Thirteenth. Find the facts concerning and the inspiration for the formation and organization of the National City Security Co. by the National City Bank of New York City.

Fourteenth. Find the facts concerning the flotation of the Amalgamated Copper Co. through the National City Bank of New York City.

Fifteenth. Find the facts concerning the speculative operations in the shares of the Central Railroad of New Jersey and the Reading Railroad Co. by and through those in control of the First National Bank of New York City.

Sixteenth. Find the facts concerning the speculative powers operating in the past in the shares of the Tennessee Coal, Iron & Railroad Co. in New York City, exercised by and through those in control of the First National Bank of New York City.

Seventeenth. Find the facts concerning the speculation and manipulation of the shares of any and all industries and railroad corporations by or through any national-banking interests in the United States, or those in control of the directors of said banks.

Eighteenth. Find the amount, as far as practical, of the loans made by these New York City banks at various times, secured by stocks traded in on the New York Stock Exchange, and the reasonable value of these securities so deposited as collateral for such loans over and above the amounts so loaned.

Nineteenth. Find the amounts of corporation deposits in these banks at elsewhere, under the control of those in control of these banks, and find whether the persons in control of such banks in the past have called loans for the purpose of strengthening money rates and in supporting the stock market or have offered money on stocks traded in on the exchange at radically different rates from those which have been charged to commercial customers.

Twentieth. Find why it is that money is frequently easily procurable on loans from the larger banking institutions at low rates of interest for the purpose of Wall Street speculation while it is difficult for merchants and business men throughout the country to discount their paper with such institutions for less than the legal rate and at times practically impossible to discount their paper at all.

Twenty-first. Find why it is that at the present time it is difficult and almost impossible for those engaged in a new industrial enterprise to procure the necessary capital when money is easily procurable for the purpose of buying the shares and securities of industrial and railroad corporations controlled by the stockholders and parties interested in these larger banking institutions.

Twenty-second. Find whether said banks have at times in the past allowed their cash reserves to sink below the legal requirements of deposits and if at other times they have gathered in extraordinarily high percentage of reserves, and find the relation between the aggregate of stocks carried in the loans of said banks at such times.

That the committee shall be authorized and if required by the House shall report on any part of its investigations before making its final report.

Later Mr. HENRY of Texas introduced a resolution seeking still wider scope to the inquiry.

What must the spirit of unrest, to which Judge Gary referred, answer to the evasion of true responsibility that the House seeks by turning this investigation over to the friends of the system?

In my presentation of the reasons for the investigation before the Rules Committee I dwelt upon the different divisions of the subject at considerable length. I quote the following from my speech before that committee:

CONTROL OF MONEY AND CREDITS.

COMMITTEE ON RULES, HOUSE OF REPRESENTATIVES, FRIDAY, DECEMBER 15, 1911.

The committee met at 10.30 o'clock a. m., Hon. ROBERT L. HENRY (chairman) presiding.

The CHAIRMAN. Gentlemen, the committee has been called to hear Mr. LINDBERGH in reference to House resolution 314, in regard to the Money Trust. If you are ready, Mr. LINDBERGH, you may proceed.

STATEMENT OF HON. CHARLES A. LINDBERGH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA.

Mr. LINDBERGH. Mr. Chairman and gentlemen, I see you consider that House resolution 314 is the resolution that is under consideration. I was just going to ask that that be substituted for the other one.

The CHAIRMAN. That is the one we have before the committee this morning.

Mr. LINDBERGH. Credits and debits, balanced by a small fraction of honest money, might be used as an equitable measure by which producers would be paid and consumers charged on the products and services of commerce. Unfortunately, however, a few speculators have wedged in between the producers and consumers, and operate and now principally control the system of credits and debits, and through it enough of the money so that these speculators control the commodities by paying the producers the least and charging the consumers the most they can stand. Under that arrangement present property and financial management conflicts with human rights and hinders common success.

Our financial system is false and a huge burden on the people. The money kings know that the people are sweating under it, and since there are some rather loose points about it, the money kings wish, through the demand of the people for a change, to manage it in the interest of Wall Street, and have proposed the Aldrich plan and are industriously trying to make the public favor that plan.

We know there is going to be a change in the banking and money laws, and, as the people's servants, we have a responsibility for which we should be in every way prepared.

I have alleged that there is a Money Trust. The proposed Aldrich plan is a scheme in the interest of the trust. There is a Money Trust. It is not in the form of the steel, the oil, the tobacco, the railways, and the other common trusts. It is maintained and governed by entirely different methods. It is father of the others, but unlike. The Government prosecutes other trusts, and it specifically and systematically supports the Money and Credit Trust. The Government creates by indirection what it seeks to destroy by direction.

American intelligence justifies a study of finances from a rational view. In this day of general business knowledge we need not speak in theory or in vague terms of philosophy and law about business matters that are practically within daily observation. It is enough to make a true statement of the facts and of how the system operates, pointing out the errors and suggesting remedies.

Everybody is concerned in this, and to get an honest, equitable plan through Congress, with the Money Trust opposing it, requires determinative public support. That can not be secured to any specific end until the public knows what causes the troubles and how to remedy them. I proposed investigation for that purpose.

In my plea for this you will not expect me to present all the facts that would be brought out by it. If I did that, the investigation would be unnecessary. All I shall attempt now is to show the purpose and scope of the inquiry and that it is reasonably probable that information may be obtained that will be of value in working out a remedy for evils known to exist.

Money, and especially credit, is controlled principally through the banking system. I shall begin by describing some practices in that system and follow up to where the trust control has become effective. When I speak of national banks, practically it includes State banks, for there is little difference in the practical results of their business, and remedial legislation should comprehend all banking business.

Almost anyone who can impress the citizens of a locality with confidence can start a bank. It is not uncommon for strangers with letters of introduction, easily obtainable, to go into towns or cities, introduce themselves to business men, and start banks. It is often done by persons of little responsibility. Ten such or any greater number, so far as the law is concerned, might associate to start banks in as many towns. Preliminary visits are made to secure the good will of the citizens from whom deposits are expected. To a few a little stock is sold to qualify them for local directors. Those who originate the plan subscribe for the stock not taken by local people. The local manager, usually the president or cashier, is ordinarily made the largest stockholder in that place. That impresses the community with his financial responsibility.

Banks may be started by paying one-half the stock in cash. The other half may be paid by installments. Permission to start must be obtained from the Comptroller of the Currency. That is a mere matter of form.

I stated that banks can be started by paying one-half the stock in cash, but that is often a mere matter of form, for the stockholders choose their own directors and officers and may turn around and borrow the cash and deposit their notes instead. Sometimes the notes are used in the first place. Ten persons may borrow enough to pay in the entire capital. The capital would then be represented by their notes. They would require enough cash to pay expenses or organizing and buying the required United States bonds on which to base circulation, and so forth. The parties might be insolvent and their notes worthless.

Mr. GARRITT. Just there, Mr. LINDBERGH, do you not think that is a pretty strong statement?

Mr. LINDBERGH. No; it is absolutely true. I know of cases where that thing has occurred, and there is nothing in the law that prevents it from occurring, because the parties themselves who organize banks are often left to themselves. It is not always that an examiner is sent to inspect the conditions preliminary to the bank starting business.

Mr. FOSTER. Does not the bank examiner go and find out if the proper amount of money and security has been put up before the bank can be authorized to open?

Mr. LINDBERGH. Not always.

Mr. FOSTER. You are wrong about that, certainly.

Mr. LINDBERGH. I have no doubt you have had experiences yourself where the Comptroller of the Currency writes and asks you, as Congressman, what you know about these parties. They do make inquiry. I know of cases where banks have been organized without any actual inspection being made before they begin business. It has been done often.

Mr. FOSTER. Do you think it is done now?

Mr. LINDBERGH. Yes, sir; it is done yet. One was recently organized in my district, by perfectly responsible parties, but there was no inspector who went there to see what they were doing. The bank began business before an inspection was made.

Mr. GARRETT. I have had that experience of which you speak.

Mr. FOSTER. Where no inspector goes?

Mr. GARRETT. No; I do not mean that exactly. But I have had the experience of having a letter from the Comptroller of the Currency asking about men who are organizing banks.

Mr. FOSTER. That is always done. They inquire of you as to the character and responsibility of the people proposing to organize a national bank. But they do not take your word for any security. They send an examiner to examine into the bank—that is, as to the securities, and so forth—and the money that is put up for the capital stock. I never knew of a case where they did not do that.

Mr. LINDBERGH. I have no doubt they often do it.

Mr. FOSTER. They always do it in the country in which I live, and I have had considerable to do with the organization of several banks, and one in which I was interested myself. I know that that bank could not be opened until the examiner went there and examined into its securities, to see that the proper amount of capital had been put up in that bank. If the condition you speak of is going on in the organization of national banks, it seems to me it is a violation of law.

Mr. LINDBERGH. It is not a violation, technically, of the law, after they have organized.

I quote as part answer from page 18 of the Report of the Comptroller of the Currency for 1910:

"Under section 5133 of the Revised Statutes the organization of national banking associations by any number of persons, not less than five, is authorized. This section provides that the incorporators shall enter into articles of association specifying in general terms the object for which the association is formed and a copy thereof forwarded to the comptroller and preserved in his office. The following section provides for the execution of an organization certificate by those who have entered into articles of association. This certificate is required to be acknowledged before a judge of some court of record or a notary public and transmitted to the comptroller. When these documents have been filed with the comptroller the association becomes a body corporate, but with powers limited to transaction of business incidental to organization until the issuance of the comptroller's certificate authorizing the association to begin the business of banking. The law further requires the collection and certification of payment of at least 50 per cent of the authorized capital stock and the deposit of a specified amount of the United States registered interest-bearing bonds, and authorizes an examination for the purpose of determining the amount of money paid in on account of capital stock and whether all requirements of law in relation to organization have been met.

"As the law, however, specifically confers upon the comptroller discretion with respect to approval of the name selected for an association, the course of procedure under the established rules of the office is to require the submission of a formal application for authority to organize an association wherein is stated the title desired, location of the bank, the capital stock, the signatures of the applicants given, accompanied by advice in regard to the business and financial standing of the applicants, number of shares to be subscribed for, and the previous banking experience, if any, of the applicants. Indorsements are required with respect to the character and standing of the applicants, the population of the place at which it is proposed to organize the bank, and an expression of opinion with respect to prospects of success of the association if chartered and conservatively managed.

"Prior to the disposition of an application a copy thereof is sent to the national-bank examiner, to the Member of Congress for the district in which the bank is to be located, and to the superintendent of the State banking department, with request for information with respect to the character and standing of the applicants, the existing demand for a bank at the locality, and an expression of opinion as to whether success is probable.

"Applications for authority to convert State banks into national banking associations are made by the directors, and each case of this character is investigated for the purpose of determining whether the bank has been conducted in conformity with law, its measure of success, and also as to the character of its assets and general business.

"In view of the fact that bank stock is generally regarded as a very desirable investment, the organization of banks, both national and State, has been very active during recent years, and it has been shown to be evident to both Federal and State authorities that many banking institutions are organized, or organization attempted, without giving due consideration to their demand or their prospects of success. As far as possible the State authorities are now acting in harmony with the comptroller in the upbuilding of banking conditions by preventing the organization of banks where the demand therefor is not apparent or where organization is attempted by those whose character and standing are questionable."

It will be seen that certification of payment of at least 50 per cent of the capital is required, but that is by the incorporators and it does not say in cash. The comptroller is authorized to cause an examination to be made, but is not required to do so. There is, as I understand, more care in this now than formerly. The comptroller's report from which I quote shows that.

Mr. Foster. The law requires that they must go and examine the securities and the capital before the bank can be opened. But what is done after it is opened, and the bank examiner goes away, is another thing. They might pull down the money and put up the securities. I agree with you on that, that that might be done.

Mr. LINDBERGH. That is often done.

Since I made the above statements the Comptroller of the Currency, in his report to Congress, on page 82, with reference to the same subject matter, states:

The following is a copy of the instructions to examiners in connection with investigations of this character:

"It has been for some time past the practice of this office to refer to national-bank examiners all applications received for the organization of national banks, with the request that they furnish such information as they were able to obtain in regard to the applicants and the existing conditions in the locality where it was proposed to organize the bank.

"As this office has no appropriation from which you could be paid for making a personal investigation, it has been necessary for you to get such information as you could by correspondence, and this has been in many instances entirely unsatisfactory. Hereafter, in all cases where the office is in doubt as to the propriety of approving an application, the examiner of that particular district will be asked to go to the place and make a careful investigation, for which he will be allowed \$25 a day and hotel and traveling expenses, to be paid by the applicants.

"The reason for this change is that for many years the bank examiners have been making investigations and submitting reports on applications for charters for national banks without receiving any compensation therefor; and in many instances it is impossible for an examiner to make a recommendation to the comptroller which carries any weight as to whether a bank should be established in a certain community or not when, in all probability, he has not been in the place and knows nothing of local conditions nor of the people interested in the proposed bank, nor of the necessity for one. The information which he would gather and submit by correspondence is nothing more or less than what the comptroller already has on file."

Reverting to my statement, so far as the law is concerned, there might be enough other parties, and all worthless, so that between them they could borrow not only the capital but the deposits as well, except the reserve. Even the greater part of the reserve, in a roundabout way, could be borrowed by the same associates if a reserve and a central reserve bank were included in the scheme, and much of the big business of the country has been started on a basis of credit rather than capital. I am not objecting to credit, for under a proper system it would be good, but the kind of credits I have described are special privileges.

You may ask, What are the bank examiners doing if banks can be filled with paper originally worthless?

Since I made the speech before the Rules Committee, from which I am now quoting, the following statement appeared in the press on June 6, 1912. It is a further illustration. I quote from the New York Times:

"CONSPIRACY CHARGES IN BOROUGH BANK PROBE—EXAMINER MAHONEY EXPECTS THAT THE DEVELOPMENTS WILL WARRANT THEM—BASED ON DUMMY NOTES—THE SIGNER OF ONE OF THEM GIVES HIS OWN IDEA OF HIS RESPONSIBILITY.

"Sufficient evidence on which to base charges of conspiracy against the so-called looters of the defunct Borough Bank of Brooklyn will have been secured in a few more days if the expectations of the investigators, as intimated at the close of the session yesterday, are realized. Special Examiner Mahoney believes that the use of dummy notes for securing loans constitutes conspiracy, and he told one of the witnesses as much. This witness—one of the three Clarendon Hotel employees who had sent regrets on Wednesday—didn't seem particularly perturbed by the information, and in a response to a question he remarked that he thought Mr. Hill was able to 'take care' of him."

"He referred to John J. Hill, proprietor of the Clarendon Hotel, one of those who were connected with the small real-estate concerns that had borrowed from the defunct bank. Mr. Hill had the witness, Chester H. Roods, and two other employees of the hotel sign notes that were discounted afterwards by the Borough Bank. Roods said that he had signed two notes at Hill's command without knowing what they were for.

"Hill would simply call me up to his office," Roods testified, "and say, 'Sign this.' I always did. He didn't think it was wrong to take money out of the bank on his credit. If anyone could get money out of the bank on my name the bank must have been crazy," he said.

"Roods had never got any of the money, he said. The notes he signed were for \$15,000 and \$25,000. At the time of the transaction he was a clerk in the steward's department of the hotel at a salary of \$55 a month. He said he also was a director in one of the real-estate companies in which Mr. Hill was interested, and he got a \$5 bill from John W. Walker, of the John W. Walker Co., when he resigned from the directorate. That, he said, was all he ever got for lending himself to the financial convenience of others. He scouted the suggestion that Mr. Hill had taken an unfair advantage of him, and it was at this point that he expressed confidence in Mr. Hill's ability to 'take care' of him.

"His reason for staying away from the session on Wednesday was his employer's reason, he said. Mr. Hill had objected to three of his employees being called away from the hotel on the same day and had dictated the three notes, according to Roods, in which each regretted his inability to attend. A warrant for one of the three was obtained from Supreme Court Justice Carr, but the sheriff was not compelled to serve it yesterday, as all three of the men—Roods, A. J. Wegge, and O. P. Warlick—arrived at the borough hall before the session began.

"Roods was followed by Warren E. Diefendorf, a director, who professed ignorance of the loans made by the bank to irresponsible individuals. Russell Randolph, formerly employed by Robert W. Hall, testified that he had signed many notes for his old employer without deriving much personal profit.

"The investigation will be resumed on Monday forenoon."

To give the bank examiners time to learn the value of bank assets would require an examiner for each bank, or at least one should be limited to a very few. A tabulation of the assets and a special checking-up system to detect the kiting of notes between stockholders would be necessary. It would require individual examiners, district examiners, and a general examiner's department to check up the whole system. That would be the only way to get a check on the approximate value of bank assets consisting of unsecured paper.

It is quite common for examiners to enter banks with near a million dollars assets, consisting of hundreds and sometimes thousands of notes, list their amounts, subtract payments, count the cash, and examine the books all in a day. Such examinations do not go to the responsibility of the makers of the bank's notes. Ordinarily these examinations practically deal with figures only. With the limited time given to examiners, intelligent though they are, they can not determine the actual reliability of the banks they examine. To a large extent they rely upon their intuitive and perceptive qualities of observation.

I do not confine my statement on note kiting to make bank assets to small banks. It can be shown that some large financial institutions have based a part of their capital on the kiting of notes. I quote from a letter, merely as illustrative of the way it is done. I omit parts of the letter, as the writer is scared of harm being done him if the interests find him out, but the Committee on Rules may see the letter. The chairman has seen it.

Hon. C. A. LINDBERGH.

EAST ORANGE, N. J., July 28, 1911.

DEAR SIR:

Prudential Insurance Co. officials, desiring to control the public utilities of the State to their personal profit, not having the funds to purchase such control, devised the plan of increasing the stock of the Fidelity Trust Co., of Newark, some \$6,000,000 and have the Prudential purchase it, as well as have the Fidelity purchase from the Prudential controlling owners the same amount of Prudential stock, so the control would be mutual and self-perpetuating, without financial interest on the part of the management. This plan was enjoined by participating policy holders, Neubauer v. Prudential Insurance Co., and the plaintiff's counsel adjourning the case, by mutual consent, sine die. * * * The only string was that if they, the Prudential, was to attempt to carry out the same deal, that they would give 30 days' notice. In face of this they gave no notice, and have carried out, in effect, the same deal by slightly reducing the number of shares purchased, so as to conform in letter but not the spirit of the court order.

Since that time the Prudential makes their brags they do not hold "public-service corporation" securities. Now, the Equitable Life crowd accommodates them when it is necessary to hold an examination, and likewise the Prudential similarly accommodate the Equitable officers in their own control of securities.

To get at the bottom of the tobacco, steel, trolley, electric railroad, and banking combination you must get at the books of the insurance companies and examine the life insurance presidents, members of the Life Insurance Presidents' Association; there lies the secret of control. Now they are able to juggle around the loans and investments from one State's companies to another State's companies to accommodate the requirements of not being "found with the goods."

Respectfully,

I do not claim that banks generally are organized by the note-kiting system, but banks can be, and many are and have been. Even dummy notes are sometimes used. The extent to which these practices have been resorted to, directly and indirectly, is much greater than is realized. The general public has never realized that it is done at all.

The law providing for bank capital has not protected depositors. The bankers themselves have done that, and the public has been charged to make it up. Bankers are under the necessity of protecting themselves from failure, and it is due to their diligence and their self-interest that there has been so little loss to depositors, but lest I should

give some of them too much credit, I again call attention to the fact that many banks are originally started and capitalized on paper originally worthless, but the toll charge to the public is so great that the public makes the paper finally good, and the careful, businesslike banker, even though he often starts insolvent, becomes rich and financially responsible. In other words, the business charges the public so much that failure, generally speaking, is visited on the careless and incompetent only.

I have thus defined the practical effect of the law in providing capital in the organization of banks. It is impossible, of course, to determine how many banks started on paper originally worthless, or, in other words, without actual capital, but as most banks so started have become financially safe and sound by reason of accumulating profits, no great good would come from a knowledge of which of existing solvent banks were originally weak. I am not proposing an investigation for that purpose. It would be remiss in me, however, if I neglected to direct attention to the weakness of the capitalization of the banking system if there was pulled out from under it the large toll the public pays in its support. These facts should be known when it comes to constructing a better system, and instead of giving a special privilege to the banks a community advantage should be given to the people.

My main purpose is to show that the banks are the first step and the principal arteries through which the Money Trust is constructed, not that the banks are a part of the trust. Only a few of them are in the trust, but the money is taken by the people to the banks and the trust secures the money from the banks. It makes no difference that the people own a large part of the money. In fact, that is an advantage to the Money Trust as long as it controls its use. However, to hereafter have a still greater control, it now proposes through the Aldrich plan to get the money of the United States in addition to making as much as it needs of its own money.

After a bank is organized and ready to do business the securing of deposits is the important thing. Banks can not succeed without. Neither can the trusts. It is because of getting the reserve deposits that the Money Trust has for many years been in control. It is because of being able to borrow the deposits that speculators are exploiting the people to an illimitable extent. That is the initiative of what gives the Money Trust power to create other trusts.

The pretense of being able to control the trusts by prosecution and to dissolve and reorganize them into their original elements to reduce the cost of living while the Money Trust controls the Government would be too ridiculous to mention were it not for the fact that it diverts public attention from the real causes of our troubles.

The dissolution of the trusts and the reorganization of each into several is on a plan of reducing the system from one of grand or wholesale larceny to several petty-larceny trusts, aggregating greater stealings from the people than if the grand-larceny trust cooperative plan should continue.

Since I made that statement some facts regarding the subject have developed. I quote an article from the New York Journal of Commerce, as follows:

HAS DISSOLUTION RAISED OIL PRICES?—IS INCREASE DUE TO GREATER COSTS OR RETALIATION?—ADVANCES IN CRUDE OILS AVERAGE 3 TO 5 CENTS PER BARREL—EXPORTS ALSO SERIOUSLY AFFECTED—OFFICIALS REFUSE TO EXPLAIN—OIL IMPORTS IN 1911 EXCEED THE PREVIOUS RECORDS.

Recent developments in the prices of both crude and refined oils, as well as local deliveries of petroleum, point with considerable emphasis to entirely new conditions in the oil trade at the present time, as compared with the latter part of last year in the period immediately preceding the date of the dissolution of the Standard Oil Co. into 33 companies. In this connection it is pointed out that for the greater part of 1911, during the existence of the so-called Oil Trust, prices of crude and refined oils maintained an average balance which the present price movement does not hold.

The date set by the courts for the final dissolution of the Oil Trust was reached on December 21 '1st. Previous to that date oil prices had been suffering from periodic slumps. Five days after the dissolution, on December 26, the first upward price movement was witnessed, with advances averaging from 3 to 5 cents per barrel on three of the principal crude-oil productions formerly controlled by the Standard Oil Co., the Pennsylvania Oil Co., Kansas and Oklahoma, Ragland, and Somerset grades—from that time up to last Wednesday, at which time further advances were made, averaging 3 cents per barrel on Ohio, Illinois, and Indiana crude oils. Further strength was given to the upward movement in prices on the same day of this week, when there was an advance of 15 points in both "Standard white" and "water white" refined oils for export; at the same time there was an advance of one-half cent per gallon on all grades of naphtha, gasoline, and benzine for export.

While the many other grades of crude oils have yet to realize an advance in price, it is held by experts that such an advance generally is not improbable. The upward trend has led to considerable conjecture by the trade as well as the independent oil concerns. Investigation at the local offices of the various companies formerly comprising the Standard Oil Co. as to explanations for the higher prices met with no success; the various officials exhibiting great reluctance to discuss the situation. No response was given to queries as to whether the segregation of the companies had resulted in a higher cost of maintenance and operation which in turn had influenced a rise in prices of both crude and refined oils. The continuous rise and the latest confirmation of the movement, which was given yesterday when the Pratt Oil Co., another subsidiary of the former Oil Trust, announced that the price of oil to the consumer was raised from 8 to 9 cents a gallon, has led to the question of whether the rise is substantially corroborated by the new conditions or are the result of a desire on the part of oil interests to retaliate against the execution of dissolution plans. In this connection the question is also raised as to whether the higher prices of oil are the result of natural conditions which have now arisen or are part of a concerted movement among the oil producers and distributors of the country.

Another advance of 1 cent per gallon on refined local oil deliveries in barrel lots for jobbers and the same rise for tank-wagon delivery were introduced yesterday. The former is now at 10½ cents and the latter at 7 cents.

Jobbers throughout the country are seriously affected by the advance of one-half cent per gallon on naphtha, gasoline, and benzine, many having only recently taken on large orders under the lower quotations, which were considered steady. In many instances they have attempted to live up to their acceptances and still make a profit by demanding

that the subsidiary companies "cover them up" on such orders; in most of these instances they have been compelled to refuse the orders on the old basis.

And only lately we find the following press statement which is true:

Standard Oil attracted attention chiefly as an exhibit of the results of trust busting. In 1901 the stock sold at 843, but not until to-day did it approach that price again. In the meantime it has been down to 390, and since the Supreme Court's decision against it was handed down it has sold at 585. Insiders have made fortunes as a result of the splitting up of the concern. They alone have known which of the subsidiaries were valuable. They have refused to make any public statement of assets and have gone on quietly picking up the valuable ones until now they seem to have rounded up the available supply.

GAIN BY HOLDING ON.

But those Standard Oil shareholders who held fast to all they received have gained along with the insiders, for the record high price is offered for the old stock plus all its subsidiaries. The warning issued in this column at the time of the difference regarding the probable market action that would be taken by insiders, and the suggestion that none of the subsidiary interests be disposed of, has been justified by events.

The same thing will happen in Steel, and the insiders are fortunate in having to face dissolution. The courts should compel the subsidiary concerns of companies split up to make complete statements of operations from organization to the date of dissolution, so that the ordinary shareholders may know what they are getting. The Standard Oil Co. refuse to make such statements.

Positive announcement from Washington in the afternoon that the Government would mobilize troops on the Mexican border again was no surprise. The action has been expected for weeks, and the only surprise is at the delay.

Is it not rather strange that the people's alleged friend prosecutors of the trusts do not understand that the trusts are showing the value of the cooperation as an economic principle? The value of that plan is rather worth preserving in some form for the people, so they may get the products of their labor through economic cooperation. If we correct the money and credit system it will be easy to regulate the trusts. A new system will come about by economic evolution, forced by common necessity.

All this talk about the trust problem being adjusted in the first instance through special attorneys and the courts is a farce. The proper adjustment will have to come through the people in Congress. The money and credit system is properly and logically the first great problem requiring correction. Until that is done this side talk about trust busting is mockery.

A greater farce than the suit against the Standard Oil Co. is not to be found, unless it is the final wind-up of the Tobacco Trust case. The decree, which is always the vital part of a case, is futile. On page 191 of One hundred and seventy-third Federal Reporter the court finds:

"The distribution of the stock among the various defendants ratably among the shareholders of the Standard Oil Co., and the conveyance of the physical property and business of the defendants to one of their number, to perpetuate the unlawful monopoly, must be and is prohibited by the decree herein."

The above is the language of the court in its opinion, but by a mystery, that to the public may well-nigh seem incomprehensible with such eminent and well-paid counsel for the Government, the wind-up in that, like the Tobacco Trust case, came to naught for notice that the decree found in the same report, section 5, page 199, practically reversed the finding. The decree relating to that part reads:

"But the defendants are not prohibited by this decree from distributing ratably to the shareholders of the principal company the shares to which they are equitably entitled in the stocks of the defendant corporations that are parties to the combination."

The decree in practical effect is the opposite of the finding. On that case and its affirmance by the Supreme Court the true effect of the decree was never mentioned in the press nor by the trust busters. The trust busters were extolled for claiming to have done what the decree expressly and most emphatically shows they did not do. And it is the decree that counts. I predicted the effect of that decree. My prediction came true. A few days since, at 26 Broadway, the Standard Oil did distribute ratably among its shareholders. I do not claim any prophetic sight, but it was all very plain on the decree, and that is why I stated in a speech in the House, June 13 last, the following:

"It may be noted that the trusts are adjusting to the Supreme Court decisions under the Sherman Antitrust Act. The people are paying the expenses of the litigation in order that the trusts may know where they stand. Some of them are dissolved by decree, but the decrees are mere form, for the trusts carry on the work they organized for, regardless of that fact. What is the difference if they accomplish their purpose by a community of interest or under the management of the corporation? (Page 1996, CONGRESSIONAL RECORD, 1st sess. 62d Cong.)"

Now, the Standard Oil and the Tobacco Trusts are legalized trusts. The Government paid the costs to make them so, and their stocks have since been booming on Wall Street.

For the reserve requirements national banks are divided into three classes. The smaller towns and country districts are ostensibly required to keep 15 per cent of their deposits in reserve; the reserve cities, ostensibly 25 per cent; and the central reserve cities—New York, Chicago, and St. Louis—25 per cent.

The money kings were early in the game and conceived the idea that they would use as much as possible of the reserves and deposits themselves, so that in addition to the direct deposits made in the large cities they provided that the banks in country districts and the towns of least influence need hold only 6 per cent of their deposits in cash and that 9 per cent could be kept in reserve and in central reserve cities, where the money kings, financiers, and speculators reside, and could get more than three-quarters of it for speculation.

New York had the par excellence of financiers and speculators, so it played over all the others, but for political reasons included Chicago and St. Louis; and so the three cities are exclusive money centers in which to concentrate the cash belongings of the country folks and of small depositors in the cities, there to be used to exploit them and the general public. In plain language, the largest banks in the three cities, and more especially New York, are the promoters for the trusts.

New York, Chicago, and St. Louis are authorized to hold all deposits except 6 per cent of the country banks and 12½ per cent of the reserve banks. It is not defined in those terms by law, for the law speaks of reserves; but there is no limitation, except that required in cash in vaults, to any bank sending all its deposits to reserve and central reserve banks. As a matter of fact, they do keep much of their deposits in these banks.

The system of permitting and encouraging banks to maintain a part of their reserve in other banks, and most of their deposits if they choose, and allowing the latter to pay 2 per cent interest—that is common—and to loan 75 per cent of it, and a still greater amount when it passes by the indirect route from nonreserve to reserve and then to central reserve banks, is a fraud on depositors, and may be termed the seed on which the Money Trust is grown and maintained. Outside of what is required for current exchange, the deposits of banks with each other breeds speculators, a Money Trust, and panics.

The 9 per cent of the reserves in one class of banks and the 12½ per cent in another, that may be kept in central reserve banks, may not, on first expression, seem sufficient to be the basis for a Money Trust. A trust controlling in the first instance only those amounts would not look formidable. These amounts, however, are only the seed, represented by the same principle as a farmer sowing 1 bushel of oats expecting to harvest 20, with the difference that the farmer has to reckon with the uncertainty of the season, while the trust has a certainty in its harvests.

Nonreserve banks must keep 6 per cent of their deposits in cash, but may deposit the balance of the 15 per cent, and any greater amount of the deposits, even to all, in approved reserve or central reserve banks. Having on hand the legal reserve, banks may carry balances in any other banks.

The district I represent is agricultural, and its bankers are mostly conservative and free from speculation. But, notwithstanding, they have had to follow the law of necessity created by our banking system. And to show what I mean by that statement I shall insert in my remarks, if I have consent to do so, three letters from banks as examples of the units from which the Money Trust gets its support, and that though the banks do not intend or desire to support the trust:

LETTER NO. 1.

(Capital, \$500,000.)

GERMAN-AMERICAN NATIONAL BANK,
Little Falls, Minn., November 17, 1911.

Hon. C. A. LINDBERGH,

House of Representatives, Washington, D. C.

DEAR SIR: Replying to your letter of the 11th instant, asking some facts regarding our loans, in our report to the comptroller, under date of June 7, 1911, we reported:

	June 7, 1911.	Sept. 1, 1911.
Loans and discounts.....	\$401,643	\$421,679
Lawful money reserve.....	44,090	39,420
With approved reserve agents.....	103,020	48,208
Other national banks.....	2,154	643

Of the \$400,000 loans, \$300,000 is an average amount of outside paper, commonly known as commercial paper, and \$100,000 is local paper. We have never been able to loan more than this locally for commercial purposes, but we could put out, say, \$100,000 to \$200,000 on good real-estate loans—farm loans—if we were permitted.

We have at present over \$100,000 in savings deposits and \$275,000 in time deposits in this bank, which amounts do not fluctuate very much from month to month the year round, and in my opinion 50 per cent of this could be safely invested in farm loans and be a great benefit to this county at large, and neighboring counties also.

In a recent report to the comptroller we recommended that national banks be permitted to use 25 per cent of commercial deposits and 50 per cent of time deposits for farm loans.

In times of panic it is almost impossible to realize quickly on commercial paper, especially the large amounts, but a good farm loan can always be disposed of either for cash or in exchange for credit. A bank holding good farm loans could, in case of a panic, turn over any of them to depositors in lieu of cash wanted and the party who receives it would be perfectly satisfied provided he knew there was good land back of it. I have heard of several instances of this being done, and I myself have heard people give excuses for taking out money in the bank in times of panic "to buy land where it is safe."

We therefore are very much in favor of a law permitting national banks to loan on farm property, and you are at liberty to use this letter in any way you see fit to further this end.

Yours, respectfully,

E. J. RICHIE, *Cashier.*

JOHN WETZEL, *Vice President.*

I see published for the same bank a statement, and the amount due from approved reserve agents to that bank on December 5 was \$103,171.04. That fact applying to that and all other banks is an important consideration in connection with this whole question, because I expect to show that it is the reserves that we have in this banking system that give the Money Trust the control of the finances of this country, and the secret of their control rests principally in that the most of the reserves and a large part of the deposits are kept in the big banks that the trust controls. You will notice by the bank's statement in letter No. 1 that they have loaned out in the community from which they receive their deposits about \$100,000; they have loaned out to parties who are nonresidents, who live in distant places and with whom they have no direct business, about \$300,000; or, in other words, three-fourths of the deposits in that bank. That is another item that the public in general knows little about, that these country banks are obliged to take the deposits that are placed with them by the people who reside in the community in which they are doing business and loan them to distant borrowers, where the money does not serve the community in which it was presumably earned.

Mr. GARRETT. Why is that? Why are they compelled to do that?

Mr. LINDBERGH. That is because our national banking laws, and our banking laws in general, do not give the country banks an opportunity to invest in those enterprises that are going on in their own midst. They can not loan to a farmer because usually farmers require long-time loans, and yet those banks are taking time deposits. The time deposits of this bank writing letter No. 1 here amount, I believe, to about \$300,000. That bank should be given the opportunity of loaning on securities part of its deposits which are made on time. The

deposits which are there for checking in the usual way should be liquid, liquid all the time, so as to carry on the commerce of the country. There is a distinction between the two that we have to keep in mind.

Mr. LINROGT. Are not time deposits subject to call at any time?

Mr. LINDBERGH. They are subject to call.

Mr. FOSTER. The same as any other deposits, and they simply lose the interest—that is all?

Mr. LINDBERGH. Yes; they simply lose the interest.

Mr. WILSON. Is there any bank that, if all the depositors made a demand for their deposits at the same time, could pay up?

Mr. LINDBERGH. There is not. It would be a bad bank for the community to keep its condition such that it could pay up instantly, unless it got help from the outside.

Mr. WILSON. I know; but they have only received the deposit, have they not, of these particular depositors?

Mr. LINDBERGH. Yes. They received them to be handled in the usual safe way. A bank that would receive deposits and leave them in the vaults would be a detriment to the community in which it did business.

Mr. WILSON. There is no question about that.

Mr. FOSTER. You understand that these foreign loans you speak of are many times commercial paper, sent out by large corporations that float paper at certain times. Is that what you mean by that—foreign loans?

Mr. LINDBERGH. Yes, that is what I mean by foreign loans.

Mr. FOSTER. You speak, for instance, of farmers. Is it your idea, then, that there ought to be a change in the national banking law permitting them to loan on long-time paper?

Mr. LINDBERGH. Yes, a certain amount of their time deposits.

Mr. FOSTER. How long a time?

Mr. LINDBERGH. At least a year.

Mr. DENVER. Do you mean by that they should be allowed to take mortgage loans?

Mr. LINDBERGH. Mortgage loans. Of course, the time is a mere matter of detail. I would not have it too long a time, understand.

Mr. FOSTER. What is your idea—that the amount of loans they could make is to be governed not in limited amount?

Mr. LINDBERGH. In that way? Yes; limited to a certain per cent of their deposits.

Mr. FOSTER. Yes.

Mr. LINDBERGH. There should be a limit to it, such as experience shows would be safe. I have letters from probably 100 bankers, and they to a unit agree that it would be better for the banking business, and better for the communities in which they are doing business, if they were permitted to use a certain per cent of time deposits to make loans on securities and reasonable time on farms.

Mr. FOSTER. You confuse time deposits there, I think, because they are all deposits subject to call.

Mr. LINDBERGH. I understand; but the practical effect is time, and it is its practical effect that I consider in these matters.

Mr. FOSTER. They are all subject to be withdrawn at any time.

Mr. LINDBERGH. They are all subject to be withdrawn at any time, and this bank letter No. 1 that I have in the notes particularly defines the conditions with reference to those. The bankers generally, who have written to me, say they can convert their mortgage loans into cash quicker than they can convert the commercial paper; and that is my experience, too, in what I have observed. I have observed the operation of that business to a considerable extent. Depositors not needing to use their money would be glad in times of panics to get safely secured paper.

Mr. LENROO. The claim has been made a great many times that independent organizations have been able to do business independently only because of the opportunity to float their commercial loans through these banks outside of the great money centers; that if it was not for them the trusts and combinations, the New York financiers, would be able to bring them to time. I would like to hear what you have to say on that.

Mr. LINDBERGH. The first consideration of a bank, in the beginning of its business and throughout its continuance, should be to take care of the community from which it receives its deposits. I do not think anybody would question that. The people who are there doing business, whether it is farming or whatever it may be, should be taken care of by the natural business of that community. I think the banks should have the right, when they have taken care of their local demands, to go outside and buy commercial paper. I do not question that, and I think there is big force in the point that Mr. LENROO makes, and they should have the opportunity when the circumstances of their own localities favor it or justify the investment of deposits in other localities.

I continue by quoting:

LETTER NO. 2.

FIRST NATIONAL BANK.
St. Cloud, Minn., November 17, 1911.

Hon. C. A. LINDBERGH,
Washington, D. C.

DEAR SIR: Answering your inquiry of the 11th relative to reserves in this bank at the time of the comptroller's call for statement of condition, we are pleased to advise you, as follows:

Cash reserves, June 7, 1911-----	\$62,162.25
With approved agents, June 7, 1911-----	105,707.70
With other agents (not approved)-----	8,380.14
Cash reserves, Sept. 1, 1911-----	73,825.15
With approved agents, Sept. 1, 1911-----	154,204.34
With other agents (not approved)-----	7,317.95

Our belief is that the privilege of making loans by national banks in rural districts on farm mortgages (not city property) would prove beneficial to the bank and the community. National banks in reserve cities should not be so privileged.

The proportionate percentage to deposits should regulate the amount to be loaned by the banks, the small banks having the larger percentage. For instance, 10 per cent for us should be the outside. For smaller banks, with, say, \$200,000 deposits, 25 per cent would be about right. This question of distribution or proportion is the one that will take the careful thought. The principle is right. It would save a lot of evasion of the present law, help the community, strengthen national banks in the minds of many depositors, and serve to keep funds in their own community.

With the privilege we would not have to buy any commercial paper to speak of, unless for temporary surplus funds.

You are at liberty to use the above as you see fit.

Respectfully,

W. W. SMITH, Cashier.

(First National Bank of Sauk Center, Minn., capital \$50,000.)

Hon. C. A. LINDBERGH, Washington, D. C.

DEAR SIR: I am pleased to give you the information requested in yours of the 10th.

We believe that national banks should be permitted to make loans on encumbered farm lands not to exceed 25 per cent of their interest-bearing certificates of deposit, provided the bank has capital, surplus, and undivided profits equaling their capital after deducting the amount they are carrying their real estate at. Many banks have nearly all of their investment as capital stock tied up in bank building, furniture, and fixtures, and said investment is not available in case it is required quickly to meet existing obligations. Our experience has taught us that a good, safe loan on farm land not otherwise incumbered comes as near being a liquid asset as any paper we are daily taking from the farmer with a signer or with chattel security. Of course this does not apply to the large city banks, for they take such securities that they can quickly realize on, provided funds are needed at once. Certain listed bonds are perhaps more easily converted into cash than real estate securities, but they are no better under ordinary conditions.

This is the statement you requested:

June 7, 1911, due from banks (reserve)-----	\$62,800
June 7, 1911, cash in bank-----	24,000
June 7, 1911, on deposit with United States Treasurer-----	2,500
Total-----	89,300
Sept. 1, 1911, due from banks (reserve)-----	72,700
Sept. 1, 1911, cash in bank-----	22,000
Sept. 1, 1911, on deposit with United States Treasury-----	2,500
Total-----	97,200

I am glad you are taking this matter up, and I trust you may finally be successful in getting a bill passed that will help the people in the country towns.

C. M. SPRAGUE, President.

On June 7 the reserve in the three banks was: Cash, \$130,253.35; with approved reserve banks, \$271,527.70. On September 1 their cash reserve was \$135,245.15; with approved reserve banks, \$275,112.34. At the same time they had about \$10,000 with banks not reserve agents. The latter is below the average of other banks answering, but the cash in banks and amount with reserve agents is a fair index to the banks generally as showing the relation of cash reserve to the reserve with reserve agents.

It will be seen that more than two-thirds of the reserves carried were held by the reserve agents. About 75 per cent of that, when held by reserve banks, and 87 per cent of it, when redeposited by the reserve in the central reserve banks, is available to the money trust. Practically the same conditions as prevail in my district prevail in all sections similarly situated.

All the banks that reported to me ask the privilege to loan on real estate, and firmly believe that proper real estate loans can be realized on more readily and are better in time of panic than commercial paper, especially better than that taken from speculators and others from the cities.

Since exhibiting letters from different bankers and since I made the speech from which I am quoting, the National Monetary Commission has taken my suggestion and amended their plan so as to permit nonreserve banks to loan upon real estate. Other amendments were also made in accordance with suggestions made by my arguments. But the main defects in their plan still remain.

It is well to bear in mind a distinction between money that is used as property—that is, a commodity—and money used as an agent of exchange. Money used as a commodity, like that deposited by wage earners, farmers, professional men, and others, who do not use the deposits in commercial transactions, should be treated in a different way in regard to their investment than commercial deposits that are subject to check in the ordinary way. The true purpose of money is its commercial use and all notes and accounts used in commerce should be liquid and at all times kept so. The deposits made on time certificates and the like should be loaned principally on securities, while deposits subject to the ordinary checking system, for commercial purposes, should only be loaned on short-time commercial paper. The accounts of the two classes of deposits should be separated so far as practical. Notice the statement in letter No. 1. You will see that the savings deposits and time certificates combined are a little in excess of paper held by the bank against makers from other localities. The deposits used to carry the \$300,000 paper taken from remote districts should be loaned to farmers and others in the locality where the deposits originate. That would also give confidence to the savings and time depositors. The bank making that statement shows that the officers fully appreciate the justice of responding to the legitimate demands of the locality from which it gets deposits, and that is true of all banks doing business independent of the Money Trust.

I commend for the study of Members letter No. 1 as giving a true state of conditions in the country districts. The other letters are as good on the facts they cover, and the study of the three is the A, B, C on which we can, in one respect, base an amendment to the banking laws that will save the country districts especially from some of the evil effects of panics, and it would lessen speculation in the cities.

The deposits of banks in other banks—that is, with each other—is the first start for the Money Trust.

Probably no banker in my district has the slightest idea that he furnishes the seed from which the Money Trust has grown, but I shall prove that they and their fellow bankers there and elsewhere are doing that very thing.

The CHAIRMAN. On that point, then, you do not contend that the bankers throughout the country in the respective States and the bankers in these money centers are in agreement, and have organized a Money Trust?

Mr. LINDBERGH. No; they have not.

The CHAIRMAN. In other words, you do not think there is any conspiracy?

Mr. LINDBERGH. I do not think there is a conspiracy on the part of the banks in general. I think there are a few banks in New York that form the backbone to a real Money Trust.

The CHAIRMAN. I understand. I mean in general.

Mr. LINDBERGH. Oh, no; not in the least can the bankers in general be charged with deliberately maintaining a Money Trust.

Deposits are substantially the assets of the banks. They term them liabilities, but it is from these they principally make their loans and profits. The accounts are due to the depositors, but the banks use the deposits to make loans. Consistently, the most of them prefer to loan in the locality from which they get their deposits. That would bring local repetition of deposits.

Bankers generally are fair and accommodating in their business, as the business is done. But the banking laws make it impracticable for them to loan all their deposits in the localities of their origin. In large cities, where the money kings, gamblers, and speculators reside, it can be done. These are heavy borrowers from the banks and take all they can get.

Mr. LENROOT. Right there, for information. Are what are termed as commercial loans loans of this character, commercial paper by stock gamblers, and so on?

Mr. LINDBERGH. The country banks figure all short-time paper that they buy as commercial paper.

Mr. LENROOT. I mean, as a matter of practice, are they that character of paper, or are they the paper of the large business houses, like Wanamaker and Marshall Field?

Mr. LINDBERGH. That is the real, true commercial paper.

Mr. LENROOT. What is the fact? That is what I am asking for.

Mr. LINDBERGH. The fact is, they use all kinds of paper they buy as commercial paper, or short-time paper.

Mr. LENROOT. I mean what do they buy? What is the character of the paper they do actually buy?

Mr. LINDBERGH. They actually buy paper of the character of Wanamaker & Co. and other companies like that. A large part of the paper is made by companies of that character. But they get paper that is made by speculators—men of means, you know—who buy for a rise in the market. They are satisfied if they get good paper.

Mr. GARRETT. In regard to reserves, your country bank is required to retain 15 per cent?

Mr. LINDBERGH. Six per cent in its vaults.

Mr. GARRETT. Six per cent in its vaults, and 9 per cent of it they put in a reserve. Then the bank in which it places that reserve is required to retain only 25 per cent of that 9 per cent?

Mr. LINDBERGH. And if it is a reserve bank it may redeposit it in another reserve or central reserve bank.

Mr. GARRETT. And so on; so that eventually it really works out to where there is almost only the 6 per cent that is really held?

Mr. LINDBERGH. Not very much more; not any more in the bank of original deposit. Farmers and wage earners can borrow but little from the banks, and especially from national banks, they not being allowed to loan on real estate nor make long-time loans. Some of the national banks in the country violate the law and do loan on real estate. They can better justify that than the New York banks can justify their continuous violation of the banking laws in other respects.

Another practice of most banks outside of the speculative centers and of which little is known by the public or depositors is the buying of notes from brokers. These are the notes of speculators and others in the large centers. This is another form of diverting moneys from the country to the centers. There is no record of sums so diverted. The bank statements include these in the item, "Loans and discounts," and as that item covers all loans, there is no way to separate them. The notes, as a rule, are purchased by the banks that carry large deposits in reserve cities. It is simply an additional way to use the deposits that can not be used in the locality of their origin because of the banking laws being made for Wall Street. Bankers are not to blame for this. It is simply a condition to which they are compelled to adjust. Funds thus diverted from the channels of their origin are large.

It will be seen in letter No. 1 that this small country bank alone loaned \$300,000 to parties outside of its banking district. Most country banks have such loans. In my home county, covered by letter No. 1, there is now and has been at all times a demand within the county by borrowers who had first-class security to give, for more than all the bank deposits in the county. These borrow through local agents, who charge them a commission to get money from mortgage companies and individuals in other and usually distant places.

The farmers, wage earners, and others who save and deposit money in the local banks would be benefited if the money were loaned in the localities where they live, and the borrowers would secure the same at less cost, but "No" has to be said to them, because, under our banking laws, speculators are given a preference. There is no objection to banks making safe loans in localities other than in which they do business when the local demands are not sufficient for safe loans. But the law should not obstruct loaning in a way most natural and desirable to those needing to borrow in the localities where deposits originate. That would encourage local enterprise, be a saving in addition, and a mutual advantage to bankers and borrowers, and not a breeder of panics.

If banks were permitted to accommodate the community in which they do business, it would make a home outlet for their deposits, and then the payment of interest by banks to other banks could be prohibited, for that would make it practicable to reduce the deposits of banks with each other to the amount required for exchange purposes. It would remove some elements of danger in panics and reduce the power of the Money Trust. An act to accomplish that should postpone the taking effect until there could be a natural adjustment.

Mr. FOSTER. You treat that there as if they are loaning as speculators?

Mr. LINDBERGH. To speculators.

Mr. FOSTER. That most banks are speculative centers. As was said by Mr. LENROOT, these commercial houses handle paper—that is, their brokers—and send out these notes, or a description of them, and the banks buy them, as I understand?

Mr. LINDBERGH. Yes, sir.

Mr. FOSTER. You do not treat them as speculative notes, do you?

Mr. LINDBERGH. Sometimes they are; not as a general rule. There is another class of loans that banks make in which I include the term "broker." For instance, a good many of the banks in Minnesota loan to parties in Dakota, or some other State, through other banks out there. I consider those bankers, through which they get such paper, when they act in that respect, as brokers.

Mr. DENVER. Is that for the purpose of stock speculation?

Mr. LINDBERGH. Oh, no; it is not.

Mr. FOSTER. They are not speculators?

Mr. LINDBERGH. No; they are not speculators in the sense of bonds and stocks.

Mr. LENROOT. Do you think, Mr. LINDBERGH, there is any substantial percentage of loans made by banks on speculators' paper?

Mr. LINDBERGH. Yes; there is.

Mr. LENROOT. I mean made direct by the banks?

Mr. LINDBERGH. Not a large per cent of their deposits are made in loans direct to speculators, except in the large cities.

Mr. LENROOT. But a large percentage of what are known as commercial loans?

Mr. LINDBERGH. Yes; there is a considerable per cent of that.

Mr. LENROOT. It would not be considered very safe banking, would it, in any community where a bank did that?

Mr. LINDBERGH. Perhaps I should give an explanation there. I consider a person who is buying a large quantity of timber out in Oregon, or any other State, a speculator in that timber. I do not mean that I confine the term "speculator" to persons who deal in bonds and stocks, but any person who uses the money that he obtains to invest in property on which he expects to receive a profit by a resale of it is a speculator.

Mr. LENROOT. Through its raising value?

Mr. LINDBERGH. Yes. He is a speculator.

Mr. WILSON. Then you would consider a man trying to corner the wheat market a speculator?

Mr. LINDBERGH. I certainly would.

Mr. LENROOT. Most anybody would.

Mr. WILSON. Is it not true there in Chicago that the board of trade men borrow great sums of money from the Chicago banks on their notes?

Mr. LENROOT. I think they put up collateral for everything they get.

Mr. LINDBERGH. Most of those people put up collateral.

Mr. WILSON. Not all of them. I think the character of the man has a great deal to do with that. I think many of the men there can borrow great sums of money.

Mr. LINDBERGH. The bankers are practical men, of course, and they seek to accommodate any legal, legitimate business, and if a speculator is responsible they will accommodate him.

Mr. LENROOT. But I think a pure speculator would have to put up collateral—a man who has not any other business.

Mr. WILSON. A man who has not the reputation of being a wealthy man could not go and borrow; but I think some of the wealthy men in Chicago who have the reputation, at any rate, of being wealthy men go in the banks there in Chicago and borrow large sums of money without any security.

Mr. LINDBERGH. Resuming my argument, the facts thus far considered show where the initial original support is given to the Money Trust. It extends back to the small depositors and into the country districts. It is brought up from these and is placed in the control of the trust. Therefore it is necessary to consider the general stock of money and credits and deposits.

For computation I use the report of the Comptroller of the Currency for 1910.

The volume of money in the United States June 30, 1910, was \$3,419,500,000. Of this, \$317,200,000 was in the Treasury, \$1,414,600,000 in reporting banks, and \$1,687,700,000 circulating among the people. The latter sum would be reduced by a small unknown fraction held by banks not reporting.

I call special attention to the \$1,414,700,000 in reporting banks, and particularly to the fact that business as a whole is done on approximately 95 per cent credit, money being used merely as a basis.

Most credits and debits are balanced by checking on banks. Checks based on deposits serve as current exchange money in practice. Bankers settle by a clearing system with each other.

Individual deposits in banks June 30, 1910, were \$15,283,396,284. At the same time the cash in banks (\$1,414,000,000) was less than one-tenth of the deposits. There was not a 10 per cent reserve for depositors. All the money in banks was less than two-thirds of 15 per cent, the amount required as reserve for nonreserve national banks. Therefore the reserve required for a large part of these deposits must have been less than that required by national and ordinary State commercial banks. The \$15,283,396,254 included large deposits in savings and trust company associations.

It is important to determine the amount of actual cash required as reserve, to find the margin left in the banks, on which the general business of the country is transacted. The small margin of free money easily enables the trust, through its banks, to control the money market. The cash reserve is dead capital. It can not be legally used except in the event of the banks being placed in receivership. But in a pinch the Wall Street banks violate the law by refusing to pay deposits except by clearing-house notes.

The \$1,687,700,000 cash circulating among the people is not available as a base for the credit system, and therefore figures very little in the 95 per cent of business done on credit, but in the ordinary money exchanges from hand to hand it performs more or less service. Otherwise more money would be withdrawn from the banks for that use.

It will readily be seen that when there is only \$1,414,600,000 cash in the banks to pay \$15,283,996,254 of individual deposits, which does not include banks' deposits with each other, that there will be something of a panic when any unusual number of depositors at one time demand their money. The law does not permit the use of the reserve to pay them, though that is the ostensible purpose for which it is kept.

Reserve city banks violate the law and use clearing-house certificates to pay deposits, but other banks would be closed if they did that. That is one of the instances in which the money kings control the Government. It is in panics that the Money Trust gets in its deadly work of capturing the smaller concerns for its subsidiary trusts.

Mr. GARRETT. It was a fact that during the fall of 1907 clearing-house certificates were used pretty generally over the country?

Mr. LINDBERGH. In reserve cities; I mean they were used from reserve cities. It is a fact, as you state, but they grew out of reserve cities.

Mr. LENROOT. That is, they started there?

Mr. LINDBERGH. Yes.

Mr. WILSON. But they extended quite generally, did they not?

Mr. LINDBERGH. They extended generally; yes.

Mr. GARRETT. In other words, your idea is that clearing-house certificates would not have been used in the country towns—the small agricultural districts like that which I represent?

Mr. LINDBERGH. No; they could not be used there.

Mr. GARRETT. They would not be used there if they had not been started in the reserve cities?

Mr. LINDBERGH. No.

Mr. FOSTER. Where would you keep enough money to pay these deposits if they should be called for, as they were in 1907? Suppose the people wanted their money; would you keep it in the vaults of the banks?

Mr. LINDBERGH. No. I would use the reserves in a panic to stop the panic, in the place of piling up the reserves, as the banks now do as soon as a panic begins. In my district I know one bank that increased its reserves during a panic to a little over 60 per cent. You will readily see that when, instead of using those reserves for the purpose of their creation, you collect every cent you can from everybody and pile it up in the vaults of the banks, it is going to aggravate the panic instead of relieve it.

Mr. LENROOT. Could you prohibit that in any way by law?

Mr. LINDBERGH. Prohibit what?

Mr. LENROOT. The piling up of the reserves. The bank certainly has the right to call in the loans if it feels that the interests of the depositors require it.

Mr. LINDBERGH. Exactly. I do not question that right. But the Government should not, in the time of panic, compel the banks to keep their reserves in the bank. They should then permit the reserves to be used.

Mr. WILSON. Is not that a selfish, you might say, a quite safe, thing for a bank to do in time of panic?

Mr. LINDBERGH. What?

Mr. WILSON. Get all the ready cash they can.

Mr. LINDBERGH. They are forced to by the present system of banking.

Mr. WILSON. All banks do it, do they not?

Mr. LINDBERGH. All banks do it, because the law practically compels them to do it.

Mr. WILSON. Is it the law that compels them to do it, or do they not do it for their own safety?

Mr. LINDBERGH. Certainly, they do it for their own safety.

Mr. WILSON. That is the principal reason, is it not?

Mr. LINDBERGH. It is a practical result of the law.

Mr. WILSON. They would do it whether or not there was a law compelling them to do it?

Mr. LINDBERGH. To a certain extent they would. But we all know that the New York banks reduced the reserve below the legal requirement during the panic of 1907, and yet there was no complaint on the part of the Government, and no attempt on the part of the Government to close the banks on account of the reserves being reduced below the legal requirement.

Mr. WILSON. Should the Government have done it?

Mr. LINDBERGH. It should not do it, and likewise in the country it should not close the door of a bank for doing the same thing, as long as the bank is solvent.

Mr. WILSON. Unless it is insolvent?

Mr. LINDBERGH. Unless it is insolvent. They should allow a bank to use its reserves.

Mr. WILSON. There should be a latitude in the law?

Mr. LINDBERGH. Yes.

Mr. LENROOT. That is, to use them upon express order in an emergency?

Mr. LINDBERGH. That would be a matter of detail. Maybe that should be the case. But the reserves should be used for the purpose of stopping a panic; that is, in other words, the depositors should have the right to get the reserves. I do not think they should be used to make additional loans.

The small margin of money available for use in the panic of 1907, and the failure of the credit system to respond, enabled the Money Trust to force the Tennessee Coal & Iron Co. to the financial death line, thereby giving the Steel Trust a chance to buy the Tennessee Coal & Iron Co. for a small fraction of its value. Because of that condition, I stated in the 1907 panic that the panic was due to a Money Trust manipulation. For that and other reasons that seemed to me in the public interests, I opposed and voted against the Aldrich-Vreeland emergency currency bill, through which scheme the Aldrich plan now proposes to legislate a 50-year additional yoke on the public.

The evil influence of such an act would extend generations beyond its expiration or repeal. The American Reserve Association is a name proposed to make the public believe that it is not a central bank. That is because there seems to be a public prejudice against a central bank. Any intelligent person who examines the plan will know that it is a central system, designed for the control of the banking business, and any person with a little knowledge of the way finances are managed will know that the Wall Street Money Trust will dominate it.

Considering our financial system on its own weak and unjust basis, its weakest point is in the use of the reserves. It favors neither general banking nor the public, but favors Wall Street. Reserves are ostensibly for the safety of the depositors, but can not be used for that purpose until receivers are appointed.

On August 15 the New York World published that the New York State banking department reports show that on July 1, 1911, there was due to depositors from 141 savings banks \$1,594,224,557.93, and included 2,962,845 accounts. The State banking department verified the figures to me. The New York World, commenting upon the report, said, "Here we get a glimpse of the real money power," intending, I suppose, to convey the idea that the money power was in the 2,962,845 open-account owners, the majority of whom had earned their little accounts by the sweat of their brows. But if that was the intent of the World it could not have missed the truth any further, for the money power is not in the owners of little accounts, not even if they combine with the owners of like accounts in savings banks, trust companies, and banks elsewhere.

Those who control these accounts and the credit based on them constitute the money power. They manipulate the money, stock, provisions, and general markets, and the owners of these little accounts and all the people are charged back with the interest the banks pay them and enough more to make it most profitable for the speculators to borrow the accounts and pay for them a larger rate of interest. The small depositors' accounts draw 3, 3½, and sometimes 4 per cent, and the banks relending them, of course, get a higher rate from the speculators. These have a system of gambling devices to control commerce, industries, and commodities, and they charge on the goods, wares, and merchandise, and other services the people buy enough to pay back all their expenses, including the highest rates of interest and dividends on watered stock.

It is all a deception that the money kings and speculators work on the plain producers. Plain people earn and save a few dollars and deposit them in the banks. The money kings attempt to make them believe that because the aggregate of their small deposits makes one large sum that they are the masters of the money situation. The only thing the small depositors can do to make their influence felt is to demand their money from the banks, which the banks can not pay until the speculators to whom they are loaned pay the banks. If the depositors make more than an ordinary demand it produces a panic.

That is a power, to be sure, but is worse than worthless to the depositor. It is ruination to him.

The deposits of the nonreserve banks mean all things to the Money Trust. In national-bank deposits alone, including 7,173 national banks, on September 1, 1910, there was due from these to other national banks \$929,652,332.28, and to trust companies and savings banks \$499,646,587.85, and to State banks and bankers \$476,745,154.06. There was due from those banks deposits, held as reserve agents alone, \$688,715,945.08. It is on the facts as they thus appear that we may begin to comprehend the meaning of the power held by the Wall Street money kings and those in league with them. They control these great sums of money.

It is interesting to observe that approximately 400 national banks, in less than 50 reserve cities, authorized reserve agents, are by law allowed to deposit half of their own 25 per cent reserves with the central reserve banks in three cities. These redeposits are principally made in six banks. The growth of these deposits has been wonderful. I call your attention. They were—

September, 1898	\$94,394,210.54
September, 1899	154,514,691.64
September, 1900	176,731,918.08
September, 1901	216,763,488.34
September, 1902	253,515,055.97
September, 1903	227,780,147.03
September, 1904	258,558,149.91
August, 1905	291,732,471.82
September, 1906	334,560,214.13
August, 1907	336,553,788.53
September, 1908	311,499,877.57
April, 1909	332,682,210.28
September, 1909	399,658,149.85
September, 1910	400,740,817.04
March, 1911	427,767,313.91

It will be seen by the rapid increase of these reserves deposited in central reserve banks from \$94,394,210.10 to \$427,767,313.91 in 12 years that the money is being concentrated and fed out to speculators. In the period covered the money in all banks doubled only, but New York's control of the reserves more than quadrupled, and the Money Trust is bending every energy to pile up "fixed reserves"—"fixed" so it can use them.

The business of the stock market and the creation of trusts increased in proportion to the concentration of the money in the Wall Street banks under this system. But the increase thus mentioned is only a part of the Wall Street money power. There are other deposits and reserves besides those last described.

The reserve in the three central reserve cities due to other national banks, including that from nonreserve national banks, was, on March 7, 1911:

New York City	\$379,597,587.88
Chicago	158,083,336.10
St. Louis	69,175,213.99

A total in the three cities of 606,858,037.97

These figures do not include the deposits of State banks and State institutions kept in these central reserve cities. Those, I shall show, greatly increase the total. But before doing that an idea may be obtained by considering the deposits of the six principal banks of New York City. These banks are controlled by the trust. Individual deposits in these banks are as follows:

Hanover National	\$40,795,708
New York City National	127,707,910
National Park	44,183,799
National Bank of Commerce	82,819,314
First National	49,912,183
Chase National	26,445,545

Total amount of individual deposits----- 371,864,459

The amount due from these banks to other banks was as follows:

Hanover National	\$64,403,705
New York City National	102,036,546
National Park	57,844,090
National Bank of Commerce	86,741,440
First National	63,524,916
Chase National	70,353,728

The total due from these six banks is----- 445,104,431
Individual deposits for the six banks----- 371,864,545

Total ----- 816,968,976

It will be noted that the deposits due to other banks is greater than the individual deposits. In the figures "due to other banks" are included some unimportant items which do not properly come under that heading. "Due to other banks" means all banks, whether national, State, trust, or savings banks.

I now wish to insert in the record an instructive letter I received from a party in New York City, whose name is left out for reasons that appear in another letter of the same party. I insert only such parts as bear on the points we are considering. Such of the figures as I have had time to verify are correct and I think they are all approximately correct:

LETTER NO. 4.

NEW YORK CITY, July 11, 1911.

Hon. C. A. LINDBERGH.

DEAR SIR: For a long time past my attention has been aroused by what seems to be a common belief in the great control of banking capital and deposits of this country in the hands of a very few of the strongest private banking houses; and your speech the other day, reported in the newspapers of Sunday last, while not perhaps upon that exact point, has attracted my interest and has incited me to write this letter.

In a very crude way I have been giving much thought to this topic and to allied subjects. My thoughts have been focused upon it recently by the amendment of the constitution of the clearing house of this city, which permitted trust companies, organized under the laws of this State, to become members of that clearing house, with the result that some 11 or 12 trust companies have now joined the clearing house. I have taken the trouble to gather together a few figures which seem

appalling. Of course, substantially the total banking capital and deposits of all banking institutions in this State gravitate toward the large banks and trust companies in this city, and if these are now to be absorbed in and swallowed up by the clearing house of this city, that unincorporated, voluntary, self-perpetuating institution, which rumor has it is controlled by a few men, will, in addition to the funds of national banks, control the banking capital of this State, including that of State banks, savings banks, and trust companies.

I find the following figures, which are approximately correct, as taken from various documents in the office of the State superintendent of banks:

Total deposits in New York State savings banks Jan. 1, 1911:	
(a) Greater New York-----	\$1,065,000,000
(b) Balance of State-----	477,000,000
Total-----	1,542,000,000
Total deposits in trust companies in Greater New York, reporting to clearing house as per—	
July 1, 1911-----	596,000,000
Not reporting to clearing house-----	646,000,000
Trust companies outside New York City-----	158,000,000
Total-----	1,400,000,000
Total deposits in State banks in Greater New York, members of clearing house-----	
Deposits in other banks in Greater New York-----	248,000,000
Deposits in banks not in Greater New York-----	103,000,000
Total-----	102,000,000
Total-----	453,000,000
Building and loan associations, say-----	50,000,000
Add by surplus of savings banks-----	152,000,000
By surplus and capital of trust companies-----	259,000,000
By surplus and capital of banks-----	83,000,000
Total-----	494,000,000
Making a total of banking capital governed by the laws of the State controlled by the clearing house of-----	
or about one-fifth of the total banking power of the United States.	3,939,000,000

The fact that New York is a central reserve city, toward which naturally gravitate the deposits and investments of national banks throughout the country, and we have at least \$5,000,000,000 additional added to the power of the New York Clearing House. Of course these figures are not easily assimilated. They are so vast as to be almost meaningless, but the power which can control this banking capital, surplus, and deposits can easily control the business affairs of the Nation.

It was to direct your attention to this vast aggregation in the hands of a few that is the primary purpose of this letter. I have in mind another purpose—the recent success of the prosecution of the Standard Oil Co. and the American Tobacco Co. It has been demonstrated that after 21 years the Sherman act is a powerful instrument for public benefit when honestly and resolutely enforced, but behind the accumulation of corporate wealth and the thing which makes these vast aggregations possible is the control of money.

Why, then, is not the clearing house of the city of New York an even greater offender against the spirit of the Sherman act than the Standard Oil or the American Tobacco Co.? Does any reasonable business man in the United States to-day believe that the flotation of a corporation with \$100,000,000 or more of capital can possibly have a successful outcome without the intervention of J. P. Morgan & Co., or the so-called First National Bank, or Rockefeller crowd, or one of the other powerful financial combinations in this city?

It must be conceded that the functions of the clearing house are beneficial so long as the clearing house confines its activity to the fundamental purposes of its creation, to wit, that of a clearing house; but when that clearing house seeks to control the deposits of its members by directing where those deposits shall be made, how much of them shall be retained in cash, what the nature and character of their investments shall be, and other similar details, being itself under no control, imagination need not be stretched to realize how all this power can be abused when vested in the hands of a few, nor is it beyond the clearing house of this city to use force to accomplish its purposes.

It is actually rumored that the institutions which have refused to join it will be penalized by having a tax placed upon their checks under the guise of a collection charge, and the newspapers of this city recently reported—within the past two or three weeks—that the clearing house had issued a new regulation that no member should clear the checks of a nonmember unless that nonmember maintained reserves of the same size as those required for members. If this condition could be legally imposed, the clearing house could equally impose upon nonmembers, as a condition for the privilege of clearing their checks, investment of their capital and surplus in designated securities or the deposit of their reserve funds in designated institutions.

The subject, of course, is too mighty to attempt to write in full about it, and with every temptation to extend, I feel that I have already imposed upon your good nature beyond reasonable limitations, especially when I consider the hot weather in Washington; but the two main thoughts that I should like to direct your attention to, if you have not already considered them, which undoubtedly you have, are, first, the enormous power possessed by a few men who control the New York Clearing House; and, second, the question of whether or not the clearing house is amenable to the Sherman Act; or if not now so amenable, could it not be made so by an amendment to that law or the enactment of a similar one?

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Yours, truly,

Mr. WILSON. I see this letter here is not signed. Of course you have the name of the man; it was not an anonymous letter?

Mr. LINDBERGH. No. He is in business in New York City, and I have shown your chairman the letter, and I have his permission to show it to any member of this committee.

Mr. WILSON. I do not care to know his name; only I wanted to know whether it was an anonymous letter.

Mr. LINDBERGH. No; it is not an anonymous letter.

I wrote the writer of that letter asking him if I might use his name in connection with a print of the letter, and he replied as shown by letter No. 5:

LETTER NO. 5.

NOVEMBER 21, 1911.

Hon. C. A. LINDBERGH, Washington, D. C.

DEAR SIR: I have your letter of November 18. Since I wrote you in July last my time and all my efforts have been occupied in commencing the practice of law, having recently passed my bar examinations. For this reason I have not further studied or considered the matters of which I wrote you, and for the same reason I fear harm might result to me if my name appeared in your brief, and I would much prefer that it did not. I am sincerely glad if my letter was in the smallest degree helpful, and am sufficiently repaid in the interest displayed by you in the matter, and particularly in your recognition of my letter. I shall follow your speeches with deep interest if you will put me on your mailing list, and will take the liberty from time to time of writing you if I run across any new facts which I think may interest you.

Very truly, yours,

I have received more than a thousand other interesting and instructive letters, coming from all parts of the country, giving information of wrongs practiced by the Money Trust. Many of them expressed a fear that they might be harmed if it was known that they wrote, and asked that their names should not be disclosed.

To show some of the advantages gotten from the use of the depositors' money, I quote from an article written by John Moody and George Kibbe Turner in McClure's Magazine:

"MASTERS OF CAPITAL IN AMERICA—THE SEVEN MEN.

"[By John Moody and George Kibbe Turner.]

"Seven men in Wall Street now control a great share of the fundamental industries and resources of the United States. Every year they and their successors will control more. They dominate, with their allies and dependents, the national machinery for the making and holding of great corporate monopolies, into which a greater and greater part of the capital and business of the country must inevitably be drawn.

"Three of these seven men—J. Pierpont Morgan, James J. Hill, and George F. Baker, head of the First National Bank of New York—belong to the so-called Morgan group; four of them—John D. and William Rockefeller, James Stillman, head of the National City Bank, and Jacob H. Schiff, of the private banking firm of Kuhn, Loeb & Co.—to the so-called Standard Oil-City Bank group.

"Not one of these seven men ever invented a mechanical operation or created a great industry. They are one thing, and one only—makers and traders in monopoly, the oldest and most reliable makers of monopoly in America. They began work in widely separated fields when the movement toward monopoly began to shape itself, shortly before 1880; came together 10 or 15 years ago in the two famous groups of monopoly makers in Wall Street; and since 1907 have been drawn closer and closer into one central group by the irresistible movement toward concentration in our industries.

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"A DOZEN BILLIONS IN RAILROADS."

"According to the figures in Poor's Manual of Railroads for 1910 the securities of railroad companies actually in the hands of investors amount to nearly \$15,000,000,000. The market value of these, calculated on the prices of January, 1911, was about \$14,500,000,000. About 60 per cent of the railroads represented by these securities was under the direct and permanent control of the seven men and their nearest allies. About 25 per cent more is under a partial but still sufficient control. The remaining 15 per cent of the railroads is made up of a few weak systems and small, unrelated scraps of road. A detailed statement of this control follows:

Control of steam railways.

	Capital.	Percent- age.	Market value.	Percent- age.
Capital (Poor's Manual):				
Central group.....	\$9,080,853,307	61	\$9,562,523,976	66
Central-group alliances....	3,732,304,488	25	3,695,343,016	25
Other Wall Street groups.	1,013,340,000	7	839,810,000	6
Outside interests.....	1,013,299,465	7	360,000,000	3
Total.....	14,889,797,260	100	14,457,676,992	100

Central group: Union Pacific, Southern Pacific, Illinois Central, Hill roads, St. Paul, New York Central, New Haven, Erie, Reading, Southern, Rock Island, Atlantic Coast Line, etc.

Alliances: Pennsylvania, Baltimore & Ohio, Atchison, Gould lines.

Other Wall Street groups: Hawley roads; Yoakum-Hawley roads.

"THE OWNERSHIP OF TRANS-MISSISSIPPI ROADS."

"West of the Mississippi, Hill, Morgan, and Baker, with a little group of multimillionaire fortunes, hold ownership of 20 or 25 per cent of the commanding stocks in the billion and a quarter dollar 'Hill system.' William Rockefeller, Stillman, and Schiff, with a very few associates, own nearly a third of the commanding stock in the billion and three-quarters Union Pacific system. William Rockefeller and another group of multimillionaires own a smaller but practically controlling interest in the half-million St. Paul system, and John D. Rockefeller is the financial backer of the whole billion-dollar Gould system. It is now tending out of the Gould hands into Rockefeller's exclusive control. The eastern link, which bound the system to the Atlantic seaboard, has already fallen definitely into Rockefeller's ownership. The western end narrowly escaped going into Rockefeller's and Schiff's hands last spring.

"The Rock Island system is controlled by the Moores, one of the closest subsidiary groups of the Baker-Morgan banking interests in Wall Street. The Atchison had from 15 to 20 per cent of its stock in the ownership of the Union Pacific and its directors until a few years ago, when fear of suits for monopoly by the Government caused the sale of the railroad's holdings. But the Atchison still remains closely allied to the central group by members of its directorate and undoubtedly by considerable stock holdings. In this trans-Mississippi territory there is only one railroad system not directly controlled by the seven men or closely allied to them; that is the new system which Edwin Hawley and B. F. Yoakum—two outside Wall Street men—are working to build out of minor roads from Chicago to the Southwest.

"This three-fifths of the United States west of the Mississippi—collapsing financially in the nineties and ever since growing in resources faster than any other section—created more wealth for railroads than any other part. A great share of the power of four of the seven men—of Hill and Schiff and Stillman and William Rockefeller—came from the money accumulated here, and it is used inside or outside of the district in extending their control.

"The control in other districts, although along different lines, is not less complete. In the South Morgan holds the Southern Railway by a voting trust; the Atlantic Coast Line is owned by Henry Walters, one of Morgan's closest allies, and is tied closely by interownership of necessary terminals to the Southern Railway; the Union Pacific Railway holds the Illinois Central by stock ownership; the Illinois Central the Georgia Central; and Henry M. Flagler, of the Standard Oil Co., the Florida East Coast Railroad. The only railway system of consequence not directly under control by the seven men is the Seaboard Air Line.

"THE MONOPOLY IN THE CENTRAL DISTRICT.

"Railroad monopoly in the great central railroad territory of the United States, between Chicago and St. Louis and the Atlantic seaboard, was established by tying bankrupt roads to the two commanding systems—the Pennsylvania and the New York Central. Morgan brought this about very largely, with the assistance later of George F. Baker. The other men in the group of seven entered the control of this monopoly still later. Together the seven men and their allies now control all the prosperous roads in the section. Only one line controlled outside the group passes through the territory—the system that Edwin Hawley is now trying to piece together out of minor and discarded railroads from Chicago to Newport News, Va.

"The dual railroad monopoly created by the New York Central and the Pennsylvania Railroads in the central territory of the country is the most important in the United States. It is in the control of the seven men. The New York Central is controlled by a stock ownership of over 20 per cent. The Union Pacific and the Vanderbilt family—Morgan's oldest alliance—each hold about 8 per cent; the rest is held by members of the Standard Oil and Morgan groups.

"The Pennsylvania Railroad is always displayed as the one great independent railway system in the country. Theoretically this may be so. Actually it is tied up with the New York Central and Union Pacific in the common ownership of the large competing railroads of the district into practically one concern. And the seven men and their allies not only own a stock control of the Union Pacific and the New York Central, but they own or vote nearly all of the largest blocks of stock in the Pennsylvania itself. Out of the control of this dual monopoly they have advanced to take control of the New England States.

"HOW NEW ENGLAND IS SEALED UP.

"New England is sealed up in an almost absolute transportation monopoly held by the New York Central and New Haven Railroads. The New Haven is held by a stock ownership in the hands of the Pennsylvania, the New York Central, and three institutions under the absolute control of the Morgan-Baker group of the seven men, the Adams and the American Express Cos., and the Mutual Life Insurance Co. of New York. These hold nearly 15 per cent of the New Haven's stock, and holdings of some half dozen individuals bring the group's ownership up to nearly 20 per cent. The New Haven and the New York Central own every steam railroad in New England except two spurs from Canadian systems to minor seaports and a small Maine road which gets most of its income from handling lumber. The New Haven Railroad also owns all the larger trolley lines in Connecticut, Rhode Island, and western Massachusetts and all the important coastwise steamers between New England and New York.

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CURIOUS TOOLS OF MONOPOLY.

"It was only about 8 or 10 years ago that the peculiar possibilities of the express companies began to be understood by the central Wall Street group. In that time they have made them into the most ingenious and interesting tools for creating monopoly in the country. The greatest of the express companies—the Adams and the American—are in form curious survivals of the time, 50 years ago, when they were created. They are not corporations, but joint-stock associations. One of the peculiarities of this form is that the board of managers hold office and elect their own successors continuously, unless the shareholders demand a special election and depose them. In practice the board of management is immortal.

"The American Express Co. is tied to the central group through ownership of its shares. A sixth of these are held by the New York Central Railroad; individuals have other large blocks of stock. The American absolutely owns the National Express Co. and holds stock control of the Wells, Fargo Co., the third largest in the United States, by the ownership of one-fifth of its stock.

"The Adams Express Co. has as the two most influential members of its board of management Charles Steele, a partner of J. P. Morgan, and George F. Baker. These managers could be changed only by a two-thirds vote of the stockholders, taken at a special meeting. No such meeting has been held in the 50 years of the concern's history.

"The Adams Express Co., with one old alliance, the Plant fortune, owns the Southern Express Co. With the American it owned a stock control of the United States. Because of fear of Government prosecution on account of monopoly this was sold in 1909 to individual ownership in the central group, where it is now held. This holding completes the control of all the express companies of consequence in the United States by the seven men and their allies.

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"The Pullman Co. has a complete monopoly of the sleeping-car business in the United States outside of three lines, which operate their own cars. Since 1900, when it absorbed the Wagner Palace Car Co. by the exchange of stock, it has been under the domination of J. P. Morgan and the Vanderbilts, who together control the Wagner Co.

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THE ANTHRACITE COAL MONOPOLY.

"These subsidiary railway corporations, outside of the value of the express companies as stock-holding concerns, are small affairs. Their total capitalization is not over \$250,000,000, with a market value of under \$350,000,000. The anthracite-coal monopoly created by Morgan and Baker through the railroads is of more consequence.

"About \$100,000,000 worth of anthracite coal is produced annually in the United States. All of this comes from a small area of Pennsylvania. The railroads have been for 40 years buying control of these anthracite-coal lands. The first important work of Morgan as maker of monopoly was the eliminating of competition by buying control of a competing railroad line for the New York Central. The second was an attempt to create an anthracite-coal monopoly through railroad combination. He worked at this for 20 years. George F. Baker nearly as long, and 10 years ago the monopoly was formed. The roads that hold it are now all in the control of the seven men. These roads now own lands containing about 95 per cent of the anthracite coal in the United States. They produce only 82 per cent. It is their policy to let the independent operators work out their deposits. This will give them in the future a still greater control of this mineral.

"It has been difficult to create any monopoly of the bituminous coal of the country; it covers so great an area. But this, like anthracite, is naturally controlled by the railroads which take it to the consumer; and there are many effective local monopolies. Morgan has been very active in creating these in connection with eastern roads. West of the Mississippi a great share of the usable coal is controlled either by the Union Pacific, the Gould system, or the Hill lines.

" 87 PER CENT OF STEEL INDUSTRY.

"The steel industry has been dominated by or closely connected with the railroad from its beginning in America. To-day one-third of its business is supplied directly by railroad companies, and still more indirectly. On the other hand, the rates that railroads give the steel business on its heavy low-grade materials and products can make or unmake its profits. The seven men in control of railroads would very naturally hold a strong influence on its affairs. But they have, in fact, taken a much more direct part in its affairs. It came into their hands in very much the same way that the railroads and other industries have done—through actual or threatened collapse from competition—and was made into a monopoly.

"The United States Steel Corporation, the greatest industrial corporation in the world, was formed by J. P. Morgan to avoid the immediate danger of ruinous competition. He has held the management of the concern from the first, and the operators of the company are his choice, and a good share of the directors are either members of his firm or his direct business associates. Nothing short of financial revolution could take it from him. George F. Baker is now a director of the concern; John D. Rockefeller was at one time its largest stockholder.

"The Steel Corporation has always held to its announced program, never to control more than 60 per cent of the steel output of the country. A much greater control of the industry, however, is held in the hands of the seven men and their allies. The Colorado Fuel & Iron Co. is directly under this control. The Pennsylvania and Cambria Steel companies are owned by the Pennsylvania Railroad. Together with the United States Steel Corporation they had about 87 per cent of the capitalization of the steel business of the country, as given by Poor's Manual for 1910; and they had nearly 80 per cent of the output. But any statement of the present hold of the seven men and their allies upon the steel situation is inadequate. It is the future in which they are strongest.

" THE ULTIMATE SUPPLY OF ORE.

"Elbert H. Gary, the operating head of the United States Steel Corporation, appearing before the Ways and Means Committee of Congress in the winter of 1909, made this statement concerning his company's ore supply:

"Question. You practically do control the ore supply of the country?

"Mr. GARY. No; not now; not for the immediate future.

"Question. Well, the ultimate supply?

"Mr. GARY. Yes; I think so; that is, pretty nearly.

"Mr. Gary's meaning was this: There is an indefinite amount of low-grade ore in this country. The Steel Corporation has never owned any great percentage of this whole. It does own a great proportion of the richer ores of the country. Mr. Gary estimates that it now holds about three-quarters of the richest ore in the country (that containing from 55 to 60 per cent of iron) and nearly the same per cent of all the known ore of the country that is profitably workable under present prices. Its competitors are working out their richest ores much faster than it is doing; ultimately it will have a great share of all of this highest type of ore that remains in this country. In the meanwhile its corps of trained engineers are continually searching the Western Hemisphere for new ore bodies.

"CONCENTRATION BY BANKRUPTCY.

"The Steel Corporation was brought into Morgan's hands by a threat of ruinous business competition. All of the best of these ore bodies dropped into the hands of the steel company, either directly or through members of the central group in Wall Street, to whom they gravitated, as the railroads had done, through bankruptcy.

"John D. Rockefeller secured the best of the wonderful Lake Superior ore deposits in the panic of 1893 by the foreclosure of a mortgage of a few million dollars on a small ore railroad. He invested a few million dollars more in improvements and transportation and transferred the entire thing to the Steel Corporation at its foundation for \$77,500,000 in securities.

"James J. Hill also secured his Lake Superior ore deposits—second only to Mr. Rockefeller's—by the failure of a small railroad in the panic of 1893. He took it in the interest of the Great Northern Railroad, and after spending a few million dollars in the purchase of more lands, leased the mines of the Steel Corporation and distributed certificates representing them to his Great Northern shareholders. At present prices these certificates are worth nearly \$100,000,000."

Mr. Chairman and gentlemen, I call attention to the last two paragraphs to show how the Rockefeller and Hill interests, by loaning a few hundred thousand dollars to embarrassed men and then foreclosing and taking the properties and expending all told but a few million dollars, created so-called vested rights to the extent of \$177,500,000, peddle out the certificates to so-called innocent purchasers who are now claiming the right to assess the public annual interest on the total sum.

I continue quoting from the article:

"The third great ore body, the Tennessee Coal & Iron Co.'s, was taken by the steel corporation direct, with the advice and assistance of Mr. Morgan, in the panic of 1907. The holders of the Tennessee Co.'s controlling stock were overextended by the panic, and the steel corporation simply took over the stock of the company in exchange for an issue of bonds.

"One after another—always through the same route to actual or threatened business ruin—the iron resources passed from the weaker hands to the stronger monopoly. And, as in the railroads, it was the hands of the chief monopoly makers of the country who took them up and placed them there. Every year the steel corporation grows stronger. It holds the future not only by its raw materials, but by the strategy of its position. With its plants in Pittsburgh, Chicago, Alabama, and now on the Pacific coast, it has so covered the country that there are great areas where it can make profits over its competitors by its savings of freight charges alone.

"The future of the steel business belongs to the great corporation. But more than that is coming to it. Like the railroads, the steel industry is now extending into a control of other great industries which are bound to it by physical necessity. Two of these are now apparent.

" GAS AND CEMENT, BY-PRODUCTS OF STEEL.

"The first is the lighting of great cities. Until the last few years the gas produced in steel making was thrown away—millions of dollars' worth every year. In the steel corporation's new plants this gas will be carefully saved. In the great new plant at Gary enough gas will be generated, not only for its own use, but to light the whole city of Chicago as well. This gas is a by-product: it is lost entirely by the steel corporation's competitors. It can be piped 25 miles to Chicago and sold at a price that is but a fraction of the cost of specially manufactured gas. Sooner or later Chicago will be lighted by this gas, and sooner or later the other steel plants of the country will supply the cities about them with illuminating gas.

"The use of a second by-product is at the present time putting the steel corporation and Morgan in command of another new industry—the most remarkable growth of the past 10 years—the manufacture of cement. The output of this industry is now valued at some \$60,000,000 a year. In the last 10 years it has quadrupled; in the next year it will certainly double.

"The steel corporation at its beginning inherited from the Federal Steel Co., one of its underlying corporations, a method of using the waste of its furnaces for making cement. A considerable part of its material in this way costs it nothing, and it has built up a cement business of its own with enormous rapidity.

"In the past five years there has been murderous competition in the general cement business, in spite of the rapid growth in demand. It culminated about a year ago. At that time J. Rogers Maxwell, a close associate of George F. Baker, who controlled the Atlas Co.—the largest producer in the country—found that he had overextended, and was forced to drop his controlling interest. It was taken up by Morgan and his close associates. With this company and the steel corporation plant Morgan now controls about a third of the cement business of the country.

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" THE TIGHTENING HOLD ON OIL AND NATURAL GAS.

"The greatest chain of monopoly control in the country started from the railroad; but the second and scarcely less important one has grown out from the petroleum trade—the oldest of successful monopolies in the United States. For 35 years this monopoly has never been broken. It was never stronger than it is to-day—after the order for its dissolution from the United States Supreme Court.

"The Standard Oil monopoly, like all others, is built upon the principle of progressive bankruptcy in its trade. Never was that principle in more active operation than now. In the past five years there has been a tremendous gush of petroleum. The Standard Oil, with its tens of millions of available money, has bought it at half price, stored it, and extended its pipe system for carrying petroleum, so that it delivers oil to the entire country at a minimum cost. Its system of distributing oil is now almost perfect.

"This same gush of oil has started a trade war in petroleum which is covering the entire world. As a result of it competitors in the United States are being either wiped out or brought into working alliance with the Standard Oil. At the present time concerns in these alliances handle some 85 per cent of the petroleum of the United States; the Standard Oil concern itself handles all of the two-thirds. No situation could be better for the Standard Oil Co. than the present condition in the oil trade. It is an exaggerated form of the very business conditions that created it.

"Meanwhile, in the past two years the Standard Oil concern has been acquiring greater and greater control of another field—the lighting of cities by natural gas. For years the Standard has been in this business, in competition with other companies. It is now bringing the advantages and savings of monopoly to this by a readjustment and division of the field. In the one territory of the United States where natural-gas supplies are near a great market—in Ohio and West Virginia and western Pennsylvania—the Standard has established a practical working monopoly in which it controls, itself, a large share of the production of the gas and sells much of it direct to the consumer. The profits of this business, under its readjustment, will be immense.

"So, between the Standard Oil Co. and the Steel Co., and the Consolidated Gas Co. of New York (controlled by the central Wall Street group), a great new business is entering directly into the hands of the seven men—the lighting of the cities of the United States by gas.

" LEAD, ALASKA, AND COPPER.

"The railroad and petroleum enterprises have brought in the chief assets of the seven men and their allies in the past. But other enterprises, especially in the last few years, have been coming into their control with equal rapidity. They come direct, seeking the aid of the only group in the United States that now has the apparatus to create successful monopolies of the size that present conditions demand.

"The monopoly of the lead output of the United States centers about the American Smelting & Refining Co. This handles 80 per cent of the lead produced from ores requiring smelting, and 60 per cent of the total lead of the country. By controlling the National Lead Co., the big consumer of lead for paints, it holds a strong domination over the lead business of the country.

"Men closely allied to the Standard Oil group were instrumental in starting this American Smelting & Refining Co. Soon afterwards it passed into the hands of a Hebrew family—the Guggenheims—who came into smelting from the lace business.

"The Guggenheims have been very ambitious and have extended out of the smelting business into the general production of metals—into lead and silver and gold, and especially copper. They have become a nucleus for a centralization of the metal business. As they have extended they have sought the assistance and alliance of Morgan.

"Alaska, the new mineral field of the United States, was opened up at just about the right time to come into the hands of the Guggenheim family. In developing it they joined themselves with Morgan in the Alaska syndicate. This now controls most of the steamers entering the district, all of the railroads of any consequence, and from time to time acquires the best of the mineral resources. Its general control of the district is assured by its control of railroad transportation.

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"The monopoly of copper was first attempted by the Standard Oil-City Bank group of monopoly makers in the late nineties through the formation of the Amalgamated Copper Co. This was unsuccessful. Since then the Guggenheims have taken the central position in the copper business by the development of great low-grade copper deposits which can be worked very cheaply. These two interests, between them, control about 60 per cent of the copper production of the country.

"In the meanwhile the copper business has gone from bad to worse through overcompetition. The usual conditions preceding combination exist, and for some time a general consolidation of copper companies has been under consideration by the Morgan house.

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"TAKING HOLD OF ELECTRICITY.

"Together with their plans for building the metal business into a working monopoly, the central group is now performing the same service for the electrical business. The largest consolidation now going on is the tying up of the telephone and telegraph systems.

"The American Telephone & Telegraph Co. is the largest electrical corporation in the country, with a total capital of nearly a billion dollars. In 1906 it had been growing so rapidly that it could no longer get enough money outside of New York. It then made an arrangement with Morgan and Schiff to finance it.

"It had not long been financed in New York when the Western Union Telegraph service was joined to it. For 20 years control of this had been in the hands of the Gould family. In 1909 George Gould sold it to the telephone company. The combination of the two concerns was a logical arrangement which had been under consideration for 25 years. It will make for economy and better service.

"Almost at the same time the American Telephone Co. began to absorb independent telephone concerns. In the preceding six or eight years this had developed very rapidly; the formation of a national system was being worked out. The usual overextension followed. In 1909 financial collapse came, and the largest and most ambitious of the independent concerns were ready to pass through the usual route to consolidation.

"They were at first sold directly to the American Telephone & Telegraph Co. State laws forbade this. Then Morgan took them over himself. The loss of these telephone concerns, located in the central and most important section of the country, greatly weakened the other independent telephone systems of the country. Since then the larger of these other independent telephone concerns have been negotiating with Morgan for absorption into the central concern. The American Co. and Morgan now hold at least three-quarters of the telephone business of the country. The long-distance lines are practically all in their hands, and all or most of the profitable business in the various larger cities of the country.

"During just about the same time that the control of the telephone business was coming into the hands of the central Wall Street group the smaller business of electrical manufacturing came under their control to a greater degree than ever before. Morgan has been the financier and a large stockholder in the General Electric Co. from the first; his firm is represented in its directorate. In the panic of 1907 the Westinghouse Electric & Manufacturing Co. was thrown into the hands of its creditors, and New York banking interests, in which Schiff is a leader, now manage the concern for them. These two concerns have now between them from 70 to 90 per cent of the different larger branches of the electrical manufacturing business.

"AN ESTIMATE OF THE CENTRAL GROUP'S CONTROL.

"It is impossible to express in exact terms the ownership or control of the seven men and their allies in American industry. But a rough expression of the percentage of their control of the various greatest operations and resources of the country follows. The percentages, where not otherwise indicated, are calculated from the figures of capitalization appearing in Poor's and Moody's Manuals:

Percentage of industries and resources controlled.

	Central group.	Alliances.	Outside.
Railroads.....	61	25	14
Express and Pullman.....	63½		6½
Anthracite coal (supply owned).....	88½	6½	5
Steel.....	82	5	13
Cement (output).....	33½		66½
Petroleum (output handled).....	67	18	15
Lead (output).....		60	40
Copper (output).....		60	40
Telephone.....	74		26

"This table gives a general idea of the control that the seven men and their allies have gained in certain specific industries. But it is, at best, only a rough and only a partial statement.

"The control of these men has gone everywhere that it is possible to create a practical working monopoly of any kind. Steamship lines, cracker baking, the manufacture of farm machinery—these and many other industries as widely varied—have been combined into the so-called trusts controlled by them. And the list is always extending.

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A BILLION OF CORPORATE CASH.

"With the creation of successful monopolies another source of capital came into the hands of the group—the savings and profits of corporations. How funds of this kind have aggregated in New York is well shown by the following statement of the cash holdings of railroads and large industries controlled in New York, taken from the figures given in *Poor's Manual*."

Cash holdings of railroads and industrials under New York control.

	Railroads.	Large industrials.	Total.
1880.....	\$11,281,626		\$11,281,626
1890.....	51,872,152	\$17,468,000	69,340,212
1900.....	160,561,811	46,536,909	207,098,720
1909-10.....	640,545,178	267,337,175	907,882,353

These figures do not include the holdings of Standard Oil.

The article from which I have quoted had broad and extensive circulation. The truth of it, I believe, has not been denied. I believe it states the facts as they substantially are, and they are very material in connection with the Aldrich plan for financial reform.

I have quoted from the article extensively for the purpose of calling attention to how much a few men in control of the people's fixed

deposits with banks, trust companies, life insurance investments, and so forth, can do with those deposits. The people, in the first place, furnished these men with the money that was taken from their deposits in banks and sent to New York to give the Money Trust the use of it to get a monopoly on all the agencies of production and distribution.

It is through the process of concentration of the small depositors' earnings into the Wall Street banks that Morgan, Rockefeller, and a few others, mainly controlling the New York banks, secure the use of a volume of money belonging to depositors in all parts of the country. They use it the same as if it was their own; with it they control finances, commerce, industry, and practically all the products on the market. By this system they drain the rest of the country of its free money and thereby destroy its local enterprise in the communities from which it comes.

The system takes the money and credits out of the localities of their origin and ownership and places them at the disposal of the Money Trust, enabling that monster to pyramid financial dealings aggregating tens of billions of dollars annually, and resulting in the establishment of the monopolies described in the article from which I quoted. On these the public is assessed interest and also charged to pay dividends on watered stock. It is added to the cost of commodities and the services of commerce that the people must buy.

The public meekly, innocently, and at times, I may say, almost admiringly permits itself to be robbed of practically all its natural rights and of a far greater part of its products from daily labor. It is all done through the systems of monopoly and charges of usury on loans and bonds pyramided over and over and in assessments for payments of dividends on watered stocks and the expenses of the whole game. Additional charges are made for a surplus on which to maintain the outrageous extravagances of a few thousand families. It would not be satisfactory to these pirates of commerce to take the cost of their families out of the principal, so, worst of all for us, they are to pile up so-called vested rights and property, the status of which is by the courts made superior to human personal rights.

On this vast accumulation of property the principle of its perpetual maintenance in a few hands is fixed by Judge Sanborn in the Minnesota rate case, in which that judge holds, and was concurred in by the other judges sitting, that 7 per cent above expenses and maintenance is a proper return for the capital investment. The people shall maintain and pay the expenses of all, and then 7 per cent interest compounded annually, until the principal and interest will swallow all their property and the products of their labor and ultimately reduce them to abject slavery—the inevitable sequence of the rule. Mr. Chairman, will we stand for it, and will we give that as a heritage to the unborn generations? Can we look our minor children in the face and do nothing to liberate them from such prospects? Will we let the system fasten the Aldrich plan as a final climax to hasten complete servitude to the interests?

Innocent depositors complaisantly look on the statute books of the United States and those of their States and assume that their deposits are supported by reserves held by the banks of deposit equal at least to 15 per cent, whereas the truth is that the greater part of the reserve has been concentrated in the control of the central reserve banks, and these being controlled by the trust have diverted more than 75 per cent of the reserves to its own use, thereby enabling it to monopolize the very things the people require in their daily lives. It is because of this system that we have become industrial slaves, a slavery even more dangerous than the old human-chattel slavery.

When we were in possession of our original and natural resources and could select the place we preferred to make home, go into nature, and, by the application of our energy, gather a living from God's storehouse, we were then free.

Now, nature's supplies, the factories for their conversion into usable material, the transportation facilities for taking them from the producers to the consumers, and money, the agent of exchange, all have gone into the control of the Money Trust. We no longer can select the place of our abode. We are compelled to live and work for this great trust. We are, I repeat, industrial slaves, and I defy successful contradiction to the truth of the statement.

We see ignorant officials, or else willfully deceptive ones, prosecuting the trusts that are subsidiary to the Money Trust, claiming to resolve them into their original elements, thinking, or else seeking to make the people think, thereby to lessen the cost of living. They are attempting to destroy the best means for efficient work and cheaper cost in production instead of modifying the application of the benefit.

This is not a period of trife, as some noted politicians seem to think while jumping from hobby to hobby without other motives than to please the people when the people do not need them, and to stand by the special interests when it is material for the interests that they should.

This is an age of philosophy, of science, of mechanics, and of business, and a general all-around desire for knowledge and practical sense to meet actual conditions and necessities. If we are, or would be, true representatives, it is our business to discover the errors in the affairs of the people and of the Government, whether they are popularly known or not, and point out the remedies and by the force of truth, reason, and a better common understanding make corrections popular.

The gradual absorption of the reserves by the banks of the reserve cities, and especially those in the three central reserve cities, and more especially New York, has been nothing less than a political crime to the Nation. All these, and particularly New York, Chicago and St. Louis, have been feeding the reserves out to the Money Trust. The New York banks, by their report of March 7, 1911, are shown to have absorbed of the country's holdings at that date more than ever. The Money Trust of Wall Street is systematically taking to itself the control of everything.

By the pyramiding system of the Money Trust, in the use of money and credit under their control, worked through stock and bond brokers, these sums have been made the basis for billions and billions of dollars in credits, on which to corner stocks and control the products of the country for the trusts, and whenever the trusts run short of money they replenish by peddling watered stock and bonds out to so-called "innocent purchasers" whom the courts are educated to protect, and saddle their payments with interest on us and our posterity.

The transactions in stocks and bonds have kept pace in volume with the growth of the reserves held in New York City. It simply means that the money belonging to the people elsewhere in the country is being sent to these centers, and especially New York, and is there used by a few gamblers, under the direction of the Morgan-Rockefeller influences, to rob the producers and consumers everywhere. Not only does this group of monopolists handle reserves and deposits belonging to others as they please, but they scare the concerns ordinarily supposed to be independent, so that they dare not act independent of the trust. To illustrate the meaning of that I quote an editorial from the Duluth Tribune of September 17, 1911. Many similar articles appeared in the press in different States. People whom I do not know, from different sections, took the trouble to mail many to me. This is an evidence of the public interest in this question. The Duluth Tribune editorial is:

"IS THERE A MONEY TRUST?"

"Congressman LINDBERGH is of the opinion that there is a Money Trust. The average citizen will generally agree with him. Mr. LINDBERGH wants this subject investigated, and again the average citizen adds his 'Me, too.' If for no other reason than to satisfy public opinion, the investigation should be made.

"The concentration of the money power is generally recognized as far more dangerous than any or all the industrial trusts. If there is a Money Trust, it is the father of the entire brood. The public has grown very suspicious, if not convinced through the seeming inability to float any large loan for any purpose, national or international, municipal or industrial, for transportation or any great enterprise, without the sanction and help of a small group of men.

"If Duluth or any other city should undertake to buy its railroad terminals, how could it sell the bonds? If the railroads opposed such a movement, does anyone believe it could be financed? Yet such bonds would seem to be gilt-edged. The railroads themselves would have practically to guarantee the interest and the surplus. But who would take the bonds in the face of their 'No'?

"If this country is to have any semblance of competition to its present trusts, how could such a grouping of the present so-called 'independents' be financed? It would necessitate the organization not only of these industries, but of a powerful financial combination. Even Mr. Rockefeller, in the days before the perfection of the combinations, found he must keep off Mr. Carnegie's preserves.

"Some of the present conditions which to the man in the seat of the lowly seem pernicious are the control by the small financial group of the funds of the great insurance companies and the bulk of the deposits of the largest banks, the support by banks of speculative enterprises and stock manipulation, the underwriting of financial schemes of banks, and the alliance of speculative investment to the banks through subsidiary organizations.

"The same names are found in the directorates of the group of powerful banks. Investigation will show these same men to be directors of the industrial corporations which are dubbed 'trusts,' of the great railroad systems, of insurance companies, steamship companies, and mining ventures.

"It is not unusual for one man to be a director in from 20 to 50 corporations. He does not himself know the names of all of them, and is there only seemingly to assure that they will not get away or do obnoxious things. Such men are supposed, popularly, to represent not so much the stockholders as this more or less intangible Money Trust.

"Speculation goes up or down; stocks become active or lie dormant; industry expands or contracts; prosperity moves steadily, sweeps along, or halts; chimneys smoke or stand sullen; machinery whirrs or wears a shroud; enterprise responds to ambition and energy or stalls; and, apparently, just as a few may will.

"We hear of the market being supported or allowed to go to the dogs, as these few think wise. We hear of a man reaching great wealth and having vast interests, only to learn later that, having grown ripe, he has been picked; or sometimes he is taken in to occupy a seat with the mighty, having given assurances of his willingness to be 'good.'

"Maybe there is no Money Trust, but the people would like to know a few more details before they mark Mr. Aldrich's banking plan with their approval."

"The little depositors in the banks everywhere should know how their money is being used as a means to corner everything they need in this world and to boost the prices of all they must buy. In their right they should demand of their bankers where they deposit that the banks send not another cent except that necessary for current exchange to the reserve cities, and, further, that their balances now in those cities shall be withdrawn as rapidly as the same can be without creating financial disturbance. The bankers should be given reasonable time in which to make the adjustment, and from then on should be held to the financial support of the communities from which they get their deposits.

But the Money Trust has foreseen what might happen, and so has made the country bankers helpless. It was arranged that commercial banks should not loan farmers and wage earners who might need money for a year or more.

The money of farmers and wage earners and of small business men can not be loaned by the banks to farmers and wage earners who may need it for any considerable period of time. The money earned in the locality and deposited in the banks must be sent to reserve cities, to be mostly loaned on demand or short-time paper to speculators and sharks on the market.

Mr. WILSON. You say that the townspeople can not get the loans from their own banks, which is the depository of the townspeople; and, of course, when they want to borrow money, do they not pay a percentage to some broker for borrowing it for them from some eastern capitalist or insurance company in your part of the country?

Mr. LINDBERGH. They do. I cover that by my remarks.

What a wonderful scheme this banking system is, and how helpless the country bankers are to bring about a remedy. Without intending it, they have become a part of the system, and New York now commands the most of them, directly or indirectly. You can imagine what we would get if we leave the settlement of this financial problem to the bankers, "because they know the business." The trusts and their dupes advocate that we should do that.

We might as well leave the trust problem to be settled by Rockefeller, Morgan, and others, as they know their business and would settle the trust problem in the same way as the bankers would settle this financial problem—for themselves.

I will cite an example of how scared the bankers and others are of the trusts. I quote you an editorial from the Duluth Tribune of November 23, 1911. By the way, the Duluth Tribune is owned by parties not in hostility to wealth nor the accumulators of wealth, but it is a live newspaper with an editorial writer who has a brain, a conscience, and a judgment enabling him to discriminate. The article is as follows:

"MEAT FOR LINDBERGH.

"If Congressman LINDBERGH wants excellent evidence as to the existence of a Money Trust, the transcontinental railroads seem determined to furnish it. Also, if these railroads desire to force Government ownership of transportation, they appear to be taking the right course to bring it about.

"It is reported and vouched for by a special correspondent of the St. Paul Dispatch that Bernard N. Baker, who was to build an independent line of vessels to operate in the coastwise trade via the Panama Canal, has been balked by the transcontinental railroads in his efforts to finance the enterprise.

"He was to put on this line boats to meet the requirements of the Post Office Department as to the payment of postal subsidies, with the purpose of keeping the canal independent of railroad dominance. Evidently this precaution was necessary.

"Mr. Baker proposed to capitalize his company for \$15,000,000. Several banks volunteered, so it is said, to underwrite this entire amount, and applied to take the whole or to be granted a part of these bonds. Later, one after the other recalled the offer.

"Baker then sought private capital and had no difficulty in finding individuals willing to take the bonds. But the aftermath was the same and these, one after the other, recalled their subscriptions. He was tagged by detectives, said to be in railroad employ, and it is said that subscribers to the fund have admitted that they withdrew because of railroad pressure.

"If that is not in restraint of trade, what is it? If that does not indicate a Money Trust, what does it show? If that is not undue and unreasonable control of financial affairs, what is it?

"More than this, Congress has indicated that, if private capital did not put such a line of boats in operation, the Government would do so. It is to be hoped that it will. Indeed, it must do so, or concede control of the canal and ownership of coastwise ocean traffic to the railroads.

"The transition from Government ownership of ocean transportation to Government ownership of land transportation would be easy and swift. Is this what the railroads want?"

There has been a recent gathering of the Monetary Commission in my State, Minnesota, and they talked with the bankers and the men in control of great business. The farmer, the wage earner, and the thousands of small business interests were not consulted.

What do we expect this Monetary Commission to learn in their ramblings around the world when they do not enter into and tell us the inside of the Wall Street and Money Trust games? That commission is supposed to be getting facts for Congress, but it does not get the facts Congress needs the most.

September 29, 1911. 84 trust companies of the State of New York had due to them from approved reserve depositories, less amount of offsets, \$146,380,135, and due from trust companies, banks, and bankers, not included in the preceding item, \$55,543,292. The 84 trust companies held \$1,375,565,304 deposits. At the same time the New York State banks had total deposits of \$523,432,606. In trust companies and State banks there were deposits \$1,898,997,910 in the State institutions of New York alone. In connection therewith I call attention to the fact that the 84 trust companies held public securities, \$90,784,120; other securities, \$356,258,586. These two are counted as stock and bond investments. Then they had loaned on collaterals in addition \$541,991,508. The two latter items amount to \$898,250,044. I call attention to these two items particularly, for they are evidence of important facts, to wit, that the accounts of the depositors are being used by the speculators to exploit the people. The center of activity for staging these exploiting schemes is Wall Street. Therefore it is interesting to know that of the sums named that under control of the trust companies alone in two counties, New York and Kings, which are practically the city of New York, there was invested by these 84 trust companies in stocks and bonds and on collaterals \$504,179,029.

Why did the National Monetary Commission fail to investigate and obtain the facts so as to give us a report on the community of interests existing between the stockholders of the different New York banks and of the trust companies, and also show us who controls the funds belonging to the life insurance companies? Morgan, Rockefeller, and their associates control more than one and one-half billions of assets of three life insurance companies. Why did not the commission show us the relations between the officers and directors of all these and their interest in the different monopolies controlled in New York and elsewhere and how these branch out and control the managing boards of directors of the Standard Oil, the Steel, the railways, and show us other trust management?

Without giving us any of that data they offer us the Aldrich plan as a remedy. That Aldrich plan, I assert, is the Wall Street plan. One of the proponents of that plan, in a speech at Chicago November 11, 1911, in the following language, issued his challenge:

"I certainly welcome honest criticism. Of course, it takes peculiar forms at times. For instance, there are gentlemen who say the Government of the United States ought to take this business and manage it. Do you think that men appointed by even so wise a President as we now have could manage better than men who own the banks and who have spent their lives in learning how to run banks? Men who study history will find that every 20 years or so we have had men who wanted to put currency into the hands of the Government. We had the greenback craze and lots of other crazes."

And he continued as follows:

"In the last analysis it is the management of the association that will mean everything. I will tell you, and you already know it, you can not legislate to give men who are managing our institutions either ability or honesty. I am willing to trust the bankers of this country."

"This plan will meet opposition from the men who think the Government should control the currency."

He continued:

"I am glad to say that is where the contest is coming. Our predecessors all through the ages have fought it, and if we must fight it out we are ready for it. Let it come."

"Every 20 years or so"—

The same party said—

"we have had men who wanted to put currency into the hands of the Government."

He tells the truth there, but each time the Money Trust has taken and controlled the Government. "Yes," he added, "I am willing to trust the bankers of the country." He may be willing to do that. We are all willing to trust them to look out for themselves, and I say that with full respect for the bankers, for I do not know better people than my banker acquaintances, and those in my district, most of them, are as much opposed to false monopoly as I am. But I am not, as a public servant, willing to trust the bankers to make a currency and banking system all by themselves that involves their business with the public in general. The bankers will take care of their own end for the profit, and I do not condemn them for that, but we certainly have a right to and should condemn those who are dearly paid by the public for recommending that the settlement of the financial problem be left to the bankers.

I again quote the challenge of the proponent of the Aldrich plan:

"I am glad to say that is where the contest is coming. Our predecessors all through the ages have fought it, and if we must fight we are ready for it. Let it come."

That is a broad challenge to the Government by the champion of the Money Trust. It means another panic, if necessary, to intimidate the people, and it also means that we can not control the trusts as long as the Money Trust controls the Government.

Aldrich, paid by the Government to represent the people, proposes a plan for the trusts instead. But he is not alone, for there are almost innumerable others, some on the pay roll like him. Perhaps they think it a brave thing for the Money Trust that is in control and in possession of the Government to make this challenge.

These men are probably not intentionally wrong; it has been their education. Most of them have been rocked from the cradle of wealth to the walking child and nursed by the mothers of wealth and schooled by its extravagance, and thus ushered into the system of plutocracy without understanding the principles of a square deal to all mankind. I do not make that statement with any prejudice against wealth, but when a plan is presented to us we must analyze it and not rest content with the say so of those who drafted it. I analyzed the plan a year ago. Since then Aldrich has offered some changes. As the plan is a part of the Money Trust scheme, we should consider it here.

In the first place, it was by a very clever move that the National Monetary Commission was created.

It was in 1907 that nature responded so beautifully to the farmer's touch and gave this country the most bountiful crop it ever had. Other industries were busy, too, and from a natural standpoint all the conditions were right for a most prosperous year.

If the Government and business had been properly managed, it would have been a year to make us all happy. Instead, a panic entailed enormous losses on us. Not many of us knew the cause. Wall Street was wise, and it knew that we were demanding a remedy against a recurrence of such a ridiculously unnatural condition.

Most Senators and Members then fell into Wall Street's trap and passed the Aldrich-Vreeland emergency-currency bill. Its ostensible purpose was to provide an emergency currency, but the real purpose was to get a monetary commission which would ultimately frame a proposition for amendments to our currency and banking laws to suit the Money Trust. The "interests" are now, and have been for some time past, busy everywhere educating the people to favor the Aldrich plan. It is currently reported that a large sum of money has been raised for this purpose.

Wall Street speculation brought on the panic of 1907. Wall Street had used the people's deposits to speculate and gamble with. Deposits and liabilities had, by the usual Wall Street pyramiding practice, been increased until at that time they were very large, and on May 20 the banks' liabilities were larger than ever before.

A little later the depositors demanded some of their money, more than usual, but the reserve banks had loaned it to the speculators and stock gamblers. The banks in the country districts, from which much of the deposits came, were not allowed to loan the reserves nor the deposits to good, honest, industrious, reliable farmers, laboring men, or anybody, even on gilt-edge securities, unless they promised to pay it back in an unnecessarily short time.

The depositors' "sacred reserve" funds were sent to the reserve banks and by these loaned to gamblers, speculators, and anybody the Money Trust wanted to favor. Then, when the depositors wanted their money, the reserve banks did not have it. They had to call for pay from gamblers and others who had gotten the reserve and other deposits. The depositors wanted their money faster than these could pay. That made the panic. Some Wall Streeters profited by the panic and some failed, but the seven big men and their allies referred to in the article from which I quoted were great gainers.

All banks except those in control of the money kings were scared. These money kings, so far as it seemed necessary to them, took everything in hand, including the funds of the Government. They managed that panic. The Government was impotent in their control, except to aid them.

The New York Clearing House is an institution in the Money Trust control, and that institution issued its certificates instead of money to pay depositors. The New York banks refused to pay the country banks the reserves due them. Some of these had been deposited directly by the country banks and others indirectly through the reserve banks. The New York banks simply defied and violated the law.

If a country bank had done that it would have been closed by a bank examiner. If a group of country banks had attempted it, they would all be closed. But the New York Clearing House issued clearing-house certificates and forced them to pass as money. If the United States had issued certificates to help the people in that time of stress, the Wall Street Money Trust would have vetoed it. It would have dared to veto such action by the Government. But the Government did not dare to veto the New York banks' clearing-house system.

The Money Trust did other things. It intimidated some of the country banks for which it acted as reserve agent from paying cash to depositors. It ordered them to pay in clearing-house certificates. Through the guardianship of the Morgan-Rockefeller régime some of the more influential of the cities did resort to the New York Clearing House system to pay deposits.

The Money Trust at different times has sent notices to certain of its agents and those in community of interest to tighten up the money market and raise the rates of interest.

Merely as a suggestion of one of the methods, I quote from another letter such parts as seem to the point. I omit all parts that would identify the parties, for the reason that it seems best to do so, if their testimony is later to be secured. The original is in my office, and I will secure it for the inspection of any member of the Rules Committee. It is as follows:

NORTH DAKOTA, July 29, 1911.

Hon. C. A. LINDBERGH, Washington, D. C.

DEAR SIR: In the investigation of the Money Trust you can get valuable information from * * *

He has a personal knowledge that the * * * was invited to join in tying up money more than a year and a half ago to raise interest rates, and the rates were raised, as you know. * * * refused to go in, but had to follow suit in raising the rates after that was accomplished. Some one should interview * * * without his knowing beforehand for what purpose, and he will give them a lead that can be followed up and which will open up a great many facts of value for the investigating committee. Of course my name must not be mentioned in any way, either publicly or to * * *, but this letter may, if you deem it proper, be shown to the committee, and afterwards you had better retain it yourself.

Respectfully,

The first relief must be provided through the country banks. It is our duty to amend the banking laws so as to give an outlet for their deposits without sending them into the speculative centers, where they are used to corner the staples and services needed by the people and to bring on panics. A few simple amendments to the banking laws will relieve the country bankers of the necessity of sending their depositors' money to the speculative centers. No report from the National Monetary Commission is necessary for that.

We need an entirely new money and banking system. But first we must know some things concerning the financial situation that the Monetary Commission has failed to furnish. We need some additional information, and can then build a permanent, honest money and banking system.

The people must know the ins and outs of the treatment they have received at the hands of the Money Trust, in order to avoid its pitfalls. We can not be bluffed out of an honest money just because of the Money Trust challenge.

Why does the Money Trust press so hard for the Aldrich plan now, before the people know what the Money Trust has been doing? Has it not got the Aldrich-Vreeland emergency law, an act of its own concoction, that does not expire until 1914? It said, when it fooled Congress to pass that act, that it was a sure remedy for panics. It knew we were scared of panics then. We had just been pinched by one.

We should get ready to pass honest money and banking laws as early as we can get the facts to properly guide us.

WHAT IS THE ALDRICH PLAN?

The Aldrich plan is the greatest monstrosity that was ever placed before the people. It proposes to create a corporation to include all the national and State banks and trust companies. In one breath some of our so-called great men are advocating this Aldrich plan to create the greatest corporation in the world and the most complete trust and in another breath they are praising the works of prosecuting the trusts. "Consistency, thou art a jewel" needs a new language dress in view of such.

It is proposed by that monstrous plan to make all State and national banks and trust companies into one. It is proposed that it shall take from the community in which it is doing business cash equal to 20 per cent of its capital and hand it over to the control of Wall Street.

The national and State banks and trust companies now in existence are capitalized at approximately \$2,000,000,000, which would give the Aldrich corporation approximately \$400,000,000. He says \$300,000,000, but my figures are nearer correct.

The Aldrich plan is to be vested with numerous special privileges:

(a) Its first act will be to drain all the communities of cash equal to 20 per cent of the capital of their banks and trust companies.

(b) The Government of the United States shall deposit its cash balance with the National Reserve Association, and the association shall pay it no interest. If the people asked the Government to furnish them money without interest, it would be charged by Aldrich and the advocates of this plan that they were Socialists. Again, "Consistency, thou art a jewel."

(c) The reserve association shall take over the Government bonds held by the banks and have the currency privilege attached to the same and assume responsibility for the redemption of the notes secured by the bonds. The reserve association shall issue its own notes—that means money—on the terms named, and may issue other notes—money—from time to time to meet business requirements.

(d) If the Government shall adopt the policy of issuing securities—bonds—at a higher rate of interest than 2 per cent, the reserve association shall have the first chance to get them.

The stockholders, which are the corporations that will own the National Reserve Association, are to get 5 per cent dividends. A sure thing if we once breathe life into the reserve association, which it is knocking for at the door of Congress. See its note-issue scheme.

It is hard to conceive of a private institution having the boldness to demand a special privilege of the nature asked for the National Reserve Association in regard to note issues. In order to force national banks to subscribe to its stock, it is provided that for the period of one year the association must offer to purchase, at not less than par and accrued interest, the 2 per cent bonds held by subscribing banks and deposited to secure circulation notes, and that the reserve association may issue its own notes instead.

Then follows the proposition that it shall be the policy of the United States to retire as rapidly as possible the bank-secured circulation and substitute therefor notes of the National Reserve Association, which may be issued from time to time to meet business requirements. The proposition is to cover these notes to the extent of one-third by gold or lawful money and the remaining portion to be bankable commercial paper or be obligations of the United States. It could, for example, take \$10,000,000 lawful money and \$20,000,000 commercial paper and issue \$30,000,000 in notes (to be used as money) and keep repeating that operation over and over until the sum reached \$900,000,000. Thus by the use of \$300,000,000 of lawful money it may issue not only the \$300,000,000 of its own paper but \$600,000,000 in addition, a privilege so great that a person with a proper conception of the general fitness of things is filled with awe at the gall of the proposition. It is an endless chain by which to keep issuing money for the Money Trust. Here this association is to be given the privilege of making its own money, secured by notes given for loans of the same, and if after issuing \$900,000,000 under this wonderful special privilege it still is not satisfied with the gift of that it may issue \$300,000,000 more on the small tax of 1½ per cent per annum. If perchance or design it becomes the desire to corner the commodities of all the world to help in that, it is proposed to give it unlimited power to issue its notes, which are to pass as currency. If it issues in excess of \$1,200,000,000, it must pay a special tax at the rate of 5 per cent per annum. Absolutely no limit to the amount, and yet there are times when on Wall Street there are skirmishes to secure possession of great properties when the payment of 5 per cent interest would be a matter of minor importance to speculators. The commerce of the country could suffer unnoticed in one of those contests.

(f) The notes of that association shall be received at par in the payment of all taxes, excises, and other dues to the United States, and for all salaries and other debts and demands owing by the United States to individuals, corporations, or associations, except obligations of the Government which are by their terms specifically payable in gold. Note the last. That refers to the Government bonds that the reserve association itself proposes to hold. It is to take all of the money of the United States, and may pay the United States in reserve association money, but the United States must pay its bonds to the association in gold.

(g) The national reserve association and its branches and local associations shall be exempt from State and local taxation except on real estate.

The special privileges mentioned are not all. There are many others in the plan. They want it to be the absolute arbiter of the future finances of the people and of the country. They ask Congress to breathe corporate life into it. The people and the Government's finances would then be under its control.

It is proposed to give it power to make money. The Constitution of the United States says:

"The Congress shall have power to coin money, regulate the value thereof, and of foreign coin."

Now, it is proposed that a private concern shall issue notes (make money) and look after the finances of all banks and, incidentally, of all of us.

It is a question of first importance: Who is to govern it? That is an all-important matter that the proposed investigation of the Money Trust would reveal with a clearness that would leave none in doubt. None should be in doubt now if they will read and understand. It is easy to see that the Money Trust would govern it.

I have shown that a few men already own most of the wealth, and that by the compounding of the annual interest at even as low as 3 per cent. and Judge Sanborn and his associates decided it should be 7 per cent. that the few will soon own all the property. By computation, that is the inevitable result of the court's decision. There is no escape if the rule of the court is followed. The few men who own the wealth would govern the proposed Aldrich corporation. Take his plan and analyze it.

There is first the father association—that is, the National Reserve Association. That will rule. It will have 45 directors, and they will control it. Who will elect these? There are 15 branches of the reserve association, and 1 director is to be elected by each, which will make 15 of the directors of the National Reserve Association. The units of a branch are the local associations, provided as follows:

"Each local association shall be composed of not less than 10 banks, and the combined capital and surplus of the members of each local association shall aggregate not less than \$5,000,000."

The public was not expected to analyze what would happen to the units of a branch—that is, the local associations—nor the units of the reserve association—that is, the branches. It is very doubtful if under the unit system proposed that territory for a single branch association out of the 15 could by the most skillful management be so framed as to take it away from the Money Trust control. These branches, we must remember, elect 15 of the directors that run the whole scheme.

We know that the controlling interests in the large cities are owned by the railroad officials, officials of other corporations and wealthy concerns, and by the stockholders and their friends, and that they are related to each other by a community of interests. All are tied up to Wall Street, as they depend on Wall Street to market their stocks and bonds.

North Dakota, for instance, contains units enough only for 1 local association. That is because there are no large cities in that State. It takes many local associations to make a branch, because there are only 15 branches in all. In Minnesota, Minneapolis and St. Paul alone contain units enough for 4 local associations and the State at large enough for 3 more, but 1 of the latter would include Duluth, which would dominate it.

As a matter of fact, there would not likely be 7 local associations in Minnesota; but whether there were or not, St. Paul, Minneapolis, and Duluth would dominate in any financial scheme in that territory, and Wall Street would control those cities on any financial problem that would not be submitted to the people, for there are enough trust interests in those cities to do that, without a shadow of a doubt. But even if these I have mentioned were not controlled by Wall Street, even the most hardened prevaricator would not deny that the cities of New York, Chicago, Philadelphia, St. Louis, Boston, and still other great cities, would each control the branch associations in which they would be, respectively, located. Even the 5 cities last named would control more than enough out of the 15 directors to be elected by the branches, so that with the 12 to be elected on a stock basis they would have a majority of the 27, who would select 12 more, the election of whom no one should be bold enough to deny that they would control absolutely.

I know, and this investigation if proceeded with will prove, that all except 3 of the 45 directors of the National Reserve Association would, even without effort, be controlled by the Wall Street Money Trust. The community of interest in the present holdings of stock in the banks and trust companies would lead to that. The three ex officio members, the Secretary of the Treasury, the Secretary of Commerce and Labor, and the Comptroller of the Currency, would have no power with the other directors opposed to them.

The other three ex officio members are the governor of the National Reserve Association, who shall be chairman of the board, and two deputy governors. But the Aldrich plan does not leave these three to be named by the President of the United States as in the President's judgment might seem best. On the contrary, the plan proposes that the President shall select them from a list submitted by the board of directors, which board, I assert, would be under the control of the Money Trust. The list would contain none that the trust objected to. They might just as well be chosen by the Money Trust.

The Aldrich plan, as proposed, is a most ingenious contrivance that in every way protects the Money Trust. The trust could let the local organizations and the branch organizations and the election of the directors of the National Reserve Association all go on without the least attention if it chose. The trusts would control the directorate without effort, for the stock interests would vote and conserve trust control.

It is well known that 20 per cent holdings of stock centered in any active force ordinarily controls the management, and in the case of the National Reserve Association on the very start a majority of the stock would be owned by the interests at such places that they would hold the key to the whole.

I have shown that enormous special privileges are proposed for the National Reserve Association. It is to get a nest egg to start with of over \$300,000,000 by taking it from all the communities in the United States. It is to have all the cash of the United States deposited with it and is to pay no interest and be exempt from taxation; it is to have all the Government bonds if it wants them; it will take from the banks the privilege to circulate money; it is to have the right to make its own money and force the people and the Government to take it in payment of debts; and it is to have many other special privileges.

After getting the people's money and the right to make its own, in addition to other powers given, it is proposed to give it the following powers:

To purchase and sell securities of foreign governments or of gold coin or bullion.

To invest in short-term obligations of certain foreign governments, to be named in the act.

To have power in other lands to deal in gold coin or bullion, to grant loans thereon, and to contract for loans of gold coin or bullion, giving, when necessary, acceptable security for their repayment.

To have power to purchase from its depositors, and to sell, with or without its indorsement, checks or bills of exchange payable in England, France, or Germany and in such other foreign countries as the board of the reserve association may decide.

To have power to open and maintain banking accounts in foreign countries and to establish agencies in foreign countries for the purpose of purchasing and selling and collecting foreign bills of exchange and shall have authority to buy and sell through such agencies prime foreign bills.

The association is to be a world-wide speculator, and at the same time it is proposed that it should be the financial guardian of the banks, the people, and the Nation. It is to be given unlimited powers to speculate not only at home, but abroad as well.

A special provision is made in the Aldrich plan for organizing foreign banks, and these banks could be used in Europe as a base, like the New York banks are used in America, to create European monopolies. And in one additional step we would be confronted with world monopolies to deal in all things that the people need to buy.

Are we going to let this monstrous proposition of the National Reserve Association for the conservation of wealth to the wealthy come seriously before the people and Congress without verifying the facts on which to base our judgment? Are we to act upon it without these facts?

I have already discussed the use the Wall Street Money Trust makes of the so-called depositors' "sacred reserves." The present fixed bank reserves is the rock on which prosperity may run at any time and produce a panic. Prosperity ran onto that rock in 1907.

The fixed reserves are the practical holdings of the Money Trust and they want to make them larger by the rules of the proposed National Reserve Association, for it is provided by that plan that all subscribing banks must conform as to the requirements as to reserves to be held against deposits of various classes, and that there shall be no change in the percentage required by the law to be held against demand deposits by national banks in the different localities, and that hereafter the same percentages of reserve shall be required of all subscribing banks—meaning the National Reserve Association—in the same localities.

That is intended to comprehend State banks and trust companies, which under the latest Aldrich plan are eligible to subscribe to the National Reserve Association.

No, the Wall Street Money Trust can not let go of the "sacred reserves." "There shall be no change," but on the contrary it wants to increase them by adding more banks to follow the same rule. They always have had the use of the reserves. They never have been used for the depositors except after actual insolvency. Insolvency of a bank brings loss to depositors, so the "sacred reserves" are most sacred to the Wall Street Money Trust.

A proper investigation of the trust will show the wrong that has been perpetrated on the people by this false fixed reserve—fixed—fixed—why, of course the Money Trust wants fixed reserves so that it can absolutely depend on having them. The penalty visited on depositors, if they insist on taking them away from the trust, is insolvency of the banks that would have them to pay their depositors.

The Money Trust for many years has had the use of practically a billion dollars fixed reserves—"sacred reserves"—to use in speculation and to manipulate and secure corners in stocks, capture and control railways and industrial companies, and to buy and own the Nation's enterprises and its natural resources, making them vested rights in the trust, on which to fix fabulous values to issue bonds and watered stocks and annually compound interest as a fixed charge on this and future generations. That is what the "sacred fixed reserves" have done for the Money Trust.

Fine and useful as the "sacred fixed reserves" have been to the Money Trust, still that monster has ever used them and has created and pyramided bonds and corporate stocks in such colossal amounts that the godfather of them, Morgan & Co., sees a mighty problem on his hands to cement all the world into one gigantic holding to forever secure the sacredness of "vested rights" to levy the full toll of the human capacity to respond with interest and dividends. That gigantic task is to be consummated in the adoption of the Aldrich plan for the National Reserve Association.

Any honest, intelligent, and active committee appointed for the purpose, and given proper powers to investigate the actual conditions, can prepare an abstract of the facts that have taken place under our present financial system that will show to Congress and to the people the absurdity of fixed reserves for the use of the Money Trusts. Any competent committee can demonstrate from the actual facts, that are easily obtainable, that the methods of the Money Trust more than any other one thing, are directly and indirectly responsible for the cost of living being several times higher than it should be.

New inventions and methods have increased production manyfold, and the cost of living should be correspondingly decreased, but the Money Trust has so manipulated the control of things that the increased production has been practically all added to capital.

The importance of the subject under consideration has necessitated a somewhat lengthy statement, and still the field is only partly covered. I could continue almost indefinitely showing conditions that lead me to charge the existence of a real Money Trust, but I think it is not necessary to add more to a preliminary statement. An investigation, if ordered, will cover the field more fully.

I have omitted entirely any reference to some practices that I have been informed exist, which, if true, would be sensational. If these exist, it will be for a committee to find out.

As of importance in the consideration of financial problems the House needs some information on the subjects I have described and on others. There is no source from which the information will come unless through a committee with proper authority to investigate. It will not be denied that the money and credit system is the most important consideration that will be before Congress for some time, and therefore the importance of the facts.

It is a matter of common knowledge, and judicial interpretation has established it as a legal fact, that we have within our social fabric great monopolies and trusts that are in control of many of the industries and much of the commerce of the country and are directing it in restraint of trade and for selfish ends. There has been some pretense to control these by prosecutions, but it is apparent that these prosecutions can be of no substantial advantage to relieve the people of the burdens of monopoly prices on things they buy for their daily use. We can not relieve the people of excessive burdens as long as Wall Street controls the use of the money and credits.

We know that a few men and their associates control, by stockholdings and a community of interest, practically all the most important industries and also the transportation systems on which the products of all industries must be carried from producers to consumers. These same few men control the finances of the country and may bring on a panic any day that such would suit their selfish ends. We need no evidence of that fact.

The Aldrich plan is offered as a remedy for panics. I have investigated enough to know already that the Aldrich plan is wrong and in the interests of the same few men who control generally; but most of the people have not investigated, and there are many who believe it is right and are seriously advocating its enactment into law, some because of personal selfish views and others because they have not analyzed it in full view of Wall Street finance.

Therefore I would suggest that the committee called for by the resolution under consideration shall ascertain the ownership and management of the principal banks and trust companies that are eligible to hold the stock of the proposed National Reserve Association, and also ascertain the ownership and management of the principal trusts that control the industries, railway systems, and properties in general. Finding these facts will enable the public and Congress to determine whether or not there is a community of interest between the controlling banks and trust companies and the industries, railways, and other great property interests that are in trust control. I contend, with the finding of the true facts in regard thereto, that these will show that the National Reserve Association would be distinctly a Wall Street institution and would give the Money Trust still greater powers.

But it is not sufficient that this committee should establish the facts that will tear out from under the Aldrich plan its support, for that plan is the response of the interests to a demand by the people for an honest money and credit. The Money Trust is simply trying to ride in on that demand with a plan of its own in the hope that it will pass before its true purpose is discovered. The committee must keep in view the demand of the public and proceed to secure actual facts that are necessary to give a true understanding of the defects in our present money and banking system.

The committee should find, as far as practical, the extent of the abuse of the spirit of the law in the capitalization of banks and trust companies through a practice of note kiting and by the use of dummy notes.

The committee should find, as near as practical, to what extent the funds of country banks are being used to purchase so-called commercial paper in the cities and, if practical, to obtain some information as to whether or not the funds secured on such paper is not, much of it, used in speculation, and therefore a breeder of panics.

The committee should find, as near as practical—and this may be done with practical accuracy—how much of the fixed reserves of the different banking institutions is concentrated in the reserve and the central reserve cities, and particularly what part of that is kept in the three reserve cities, separating that which is deposited directly by the nonreserve banks and the reserve banks from that which comes by the indirect route from a nonreserve to a reserve and by the latter deposited in the central reserve.

The committee should find how much cash is tied up in what are termed "fixed reserves" in (a) the country banks, (b) the reserve banks, and (c) the three central reserve city banks, separating the latter, and from that determine the working-margin balance practical for business operations and practically its holding, and find separately if the country banks and the reserve banks generally keep greater deposits in other banks than are necessary for current exchange, and if the interest paid by banks to each other influences the amount of such balances, and to what extent.

The committee should, in a sort of a general way, for it can not be done specifically, find to what extent the diversion of deposits from country banks, invested in commercial paper in the cities and their deposits in the city banks, injure the localities from which these deposits are taken, and at the same time make suggestions as to how the deposits of those banks may be authorized in safe loans in the localities of their origin.

It should be the policy of the banking laws to give the banks in each community complete authority to take all safe loans, and banks should be stamped with disfavor whenever they loan funds in remote places when there is a local demand for safe loans in the territory from which they secure their deposits. When there is not sufficient local demand, the banks should be permitted to extend their loans into other safe channels. If each community is placed on its own resources to the greatest practical extent, there will be less loss and no serious panics of country-wide distress. Now the reverse policy is being followed. Everything is centered in New York, and a disturbance there creates general disturbance. The committee should inform itself on all these points, and report.

The committee should find whether or not the principal banks in New York and some other places conspire to raise the rates of interest to borrowers.

The committee should find whether the life insurance companies are being manipulated by their management to contribute to the control of the few principal banks and financiers; and if so, by what means it is done.

The committee should find whether or not any undue influences are used by certain of the New York banks that are in control of the trusts to concentrate with themselves the deposits of banks and trust companies in other localities.

The committee should find if any unnatural and improper methods are being used by the New York Clearing House to concentrate deposits and business into the special banks that it favors, and as to whether the rules of exchange and charges for the same are used to give a monopoly to its special favorites.

The committee should inquire particularly into whether or not there is a real Money Trust existing by virtue of the community of interest in a few parties who have the power to practically regulate the finances and the business of the country. I claim there is such a trust and that the fact can easily be established, and that when established the settlement of the money and banking problem will be very much simplified.

There is one of two things that will have to take place in this country if we are to be relieved of made panics—either the Government must go into the business of managing the issues of money and controlling the finances or else the concentration of the money belonging to the people into Wall Street will have to be stopped and the different sections of the country be allowed to conserve their own resources, aided by such legislation as may seem proper. The latter is, on condition of things as they now are, the first solution. Ultimately the other will come and compete with the first, and if it seems to the general public the most satisfactory it will replace the first; so, therefore, it is up to those who want the first to take more than a purely selfish interest in the adjustment of this great problem.

The whole country is now tied up to the Wall Street fortunes—tied up because the money from every section of the country is centered there in the control of the speculators. It is fixed by the reserve laws there for them.

Mr. Chairman. I have taken much of the committee's time, but I think no apology is necessary, for no one, with a conception of the wrong that has been inflicted on humanity by reason of not having an honest money and credit exchange system, can doubt the importance of the proposed investigation. By it can be determined the true causes why the producers and consumers are burdened by existing extravagances. With a knowledge of their causes there will be awakened in the public conscience a sense of justice the response to which will be evidenced by a liberation of personal, factional, and party prejudices, and it will lead to a common demand for the adoption of a system that will give to all a square deal and an opportunity to successfully develop through faithful industry. It will point the way to a liberation from industrial and commercial slavery. Under honest, intelligent direction the work may be useful to the world and become a peace bearer to relieve from some of their troubles the unsettled and restless peoples of other nations.

We still have with us a few veterans of the Civil War, some who fought for the emancipation of slavery and others who fought against it. On both sides there is now common agreement that right prevailed, and personal and sectional prejudice has ceased. It is now our duty to show by our actions and appreciation of the victory that came to the Union soldiers at enormous sacrifice. We still stand for freedom, and if we preserve it their sacrifice was not in vain. This appreciation surely is seconded by those who fought in the other battle lines in the first great struggle and they now recognize the justice of the maintenance of the principles settled in that struggle. We all join now in seeking to make those principles practical. We are of one heart and one soul, an inseparable national brotherhood, and unite in the acknowledgment of the wisdom and prophetic foresight of the immortal Lincoln when, near the close of the war, he gave utterance to the following:

"Yes; we may all congratulate ourselves that this cruel war is nearing its close. It has cost a vast amount of treasure and blood. The best blood of the flower of American youth has been freely offered upon our country's altar that the Nation might live. It has been, indeed, a trying hour for the Republic; but I see in the future a crisis approaching that unnerves me and causes me to tremble for the safety of my country. As a result of the war, corporations have been enthroned and an era of corruption in high places will follow, and the money power of the country will endeavor to prolong its reign by working upon the prejudices of the people until wealth is aggregated in a few hands and the Republic is destroyed. I feel at this moment more anxiety for the safety of my country than ever before, even in the midst of war."

Yes; corporations were enthroned and an era of corruption in high places followed, and the money power of the country has prolonged its reign by working upon the prejudices of the people, and now wealth is aggregated in a few hands; and a proponent of the Aldrich plan, a representative of the money power, has issued the challenge by stating, "The plan"—meaning the new Aldrich plan—"will meet with opposition from the men who think the Government should control the currency. I am glad," he says, "that that is where the contest is coming. Our predecessors"—meaning the money kings—"all through the ages have fought it, and if we must fight it out we are ready for it. Let it come." That is the only open challenge that I know of coming from the money power. Its practice has been to do and not to challenge. This challenge is an evidence of impatience. In it I see a weakening of their forces. Through the money power industrial and commercial slavery was established. The place of its origin was in the North and it spread until it encompassed the Nation, and now the boards between the North and the South are the same. Each allowed slavery to originate in its territory, and now the plain people, North and South, everywhere, join by the law of reason and common sense and accept the money trust challenge. The campaign is on. We are ready.

In quoting my Rules Committee speech above, I have left out very little of it. I now desire to conclude by submitting, as an appendix to my remarks, a memorial to Congress from W. B. Fleming, of Louisville, Ky., formerly a law officer of the Treasury Department, I am informed.

To the House of Representatives, Washington, D. C.:

Your petitioner, a citizen of the United States and of the State of Kentucky, respectfully represents that there is now pending before you House resolution 314, introduced by Congressman CHARLES A. LINDBERGH, of Minnesota, "authorizing the appointment of a committee to investigate as to whether there are not combinations of financial and other concerns who control money and credits and operate in restraint of trade through that control."

Your petitioner humbly petitions your honorable body to act favorably on said resolution.

1. Because it is notorious that the combinations referred to in said resolution exist.

2. Because these combinations are dangerously inimical to the public welfare.

3. Because it is of the utmost importance not only that the Congress but the public whose welfare is at stake be informed of the material facts relating to said combinations, including their existence, their methods, their aims, and their power.

4. Because the necessary facts can in no other way be so well ascertained and given publicity.

Your petitioner further represents that this investigation is all the more urgent and necessary by reason of the fact that the Congress will soon be called upon to consider the report of the National Monetary Commission, which is indorsed and being pushed by these same combinations who are raising a very large sum of money to influence the public press and Congress itself. The scheme of the said commission is the most portentous ever presented for adoption to Congress, and is fraught with infinite possibilities for evil. If enacted into law, it will concentrate in a few hands a power greater than the Government itself.

Under the specious plea of providing against panics it is proposed to breathe the breath of life into a Frankenstein monster which would turn upon and destroy its creator and enslave the people.

The danger of a money monopoly was thus pointed out by John C. Calhoun in the United States Senate in a speech upon the United States Bank:

"If we turn our attention to the laws which govern the circulation we shall find one of the most important to be that, as the circulation is decreased or increased, the rest of the property will, *all* other circumstances remaining the same, be decreased or increased in value exactly in the same proportion. To illustrate: If a community should have an aggregate amount of property of \$31,000,000, of which one million constitutes its currency, and that one million should be reduced one-tenth part; that is to say, \$100,000, the value of the rest will be reduced in like manner one-tenth part; that is, \$3,000,000. And here a very important fact discloses itself which explains why the currency should be touched with such delicacy and why stability and uniformity are the essential qualities: I mean that a small absolute reduction of the currency makes a great absolute reduction of the value of the entire property of the community. * * * If we suppose the entire currency to be in the hands of one portion of the community and the property in the hands of the other portion, the former, by having the currency under their exclusive control might control the value of all the property in the community and possess themselves of it at pleasure. * * * It results from this that there is a dangerous antagonistic relation between those who hold or command the currency and the rest of the community."

President Garfield said:

"Whoever controls the volume of currency is absolute master of the commerce and the industries of the country."

Mr. Chase, Lincoln's ex-Secretary of the Treasury, before he died, saw the Money Trust in its infancy and realized that it had its birth in the national bank act. He said:

"My agency in procuring the passage of the national bank act was the greatest financial mistake of my life. It has built up a monopoly that affects every interest in the country. It should be repealed."

Jefferson said:

"Banks of issue are more dangerous than standing armies."

President Jackson said:

"All money, whether of metal or paper, should be issued by the Government, and bank issues should be abolished."

If the Morgan-Aldrich Central Reserve Association be enacted into law we will have a colossal octopus with one head and many tentacles. The big Wall Street banks, controlled by Morgan and Rockefeller, would be the head and the local branches the tentacles. These arms and armlets, reaching out from the head at New York all over the land, are to gather the sustenance upon which the monster is to feed. From the center of Wall Street orders will go out as Nero's orders went out from Rome—to the remotest bounds of the Empire—and to it will flow the spoil of the Nation as the plunder of the provinces poured into the Eternal City. This institution will be the fiscal agent of the Government and do business all over the world. Its speculations will not be confined to Wall Street, but extend to London, Paris, Amsterdam, Berlin, and other rich cities. And the Government—that, is all the people—will guarantee the payment of all the notes issued by all these banks of issue.

The framework of this mighty structure is already set up.

The chief genius back of it is J. Pierpont Morgan, the great trust promoter. Some time ago this extraordinary man, who has long exercised strange influence at Washington, both in Congress and at the Treasury Department of the Government, took over the Equitable Life Assurance Society from Thomas F. Ryan, paying two and a half million dollars for stock that can legitimately earn only \$3,415 a year, so as to get control of the Equitable's \$400,000,000 assets and \$80,000,000 surplus, and lately his trust company has bought from his Equitable Life Assurance Society its holdings in the Mercantile Trust Co., by which transaction the aggregate assets of the bank controlled by him are said to exceed \$1,000,000,000.

The Morgan and Rockefeller interests are allied, and their big bank is the National City Bank. "The National City Co." has been organized. This company is under the absolute and perpetual control of three trustees, all officials of the National City Bank. It is to be the holding company of the stocks of other banks, and to become to the other banks what the Standard Oil Co. has been to its subsidiary companies.

The Money Trust has long been plotting to bring all the banks under the domination of one gigantic trust, and the Monetary Commission, which has already cost the people nearly \$250,000, is but the instrument in Morgan's hands to consummate this conspiracy.

Fed by the scheme recommended by the Monetary Commission, the centralized power already organized at Wall Street will quickly grow to the dimensions of a giant trust, and become the head and manager of the reserve association and dominate all the banks and business of the United States, and thus be made the legal arbiter of the destiny of the country and all our fortunes.

To combat the present power of the financial interests and to stay its mighty hand and prevent the absolute monopoly which the Central Bank Reserve Association would entail, it is of supreme importance that Congress should forthwith use its powers to lay bare the essential facts and, as servants of the people, expose them to the public view, so that the sovereign people may know the truth and take proper steps to save themselves from this threatened danger to their liberties.

To the end that the public welfare be conserved, a thorough investigation and report as to the present accumulations of capital, where and how it is concentrated and used; the effect of such concentration upon business and the life of the people; its connection with Wall Street; the names and motives of the great magnates who are concerned in the combinations; what, if any, laws of the United States have contributed to the monopoly; and the real scope and purpose of the Aldrich scheme are absolutely necessary.

Notes of warning of the power and menace of the Money Monopoly have been sounded by many well-known publicists, and cries of alarm have come to us even from the ranks of the rich themselves.

Every industrial trust has been underwritten by the Money Trust, which is the keystone of the arch of trusts.

Gov. Woodrow Wilson has said that "the great monopoly in this country is the money monopoly."

Confronted as we are with the reign of the monopolies, will the House of Representatives, fresh from the people, as it is, refuse to even investigate the worst of all the monopolies?

The big financiers of the country have taken advantage of the financial laws, passed at their own instigation, to organize the Money Trust.

An appendix is added as part of this memorial, that you may see at a glance how the Congress has been made to play into the hands of those who control the currency and credits of the country.

To Federal legislation and money issues has been added the use of the credit of the Nation and of the great reserves of the United States Treasury Department.

Behind these laws and administrative and governmental favors and powers the Money Trust is entrenched, and it now boldly proposes to consummate its power and add the capstone to the fortress it has built by the enactment of the Aldrich scheme.

Congress alone can save us from the grip of the money monopoly; but even Congress may not be able to do this without bringing the machinations of the money power into the light of day, and this can only be hoped for through congressional investigation, an investigation which the Money Trust is trying to block by threats of another panic. These threats of themselves suffice to prove the existence of the monopoly and the menace it is to the public welfare and the necessity for the action they are designed to prevent.

Wherefore your petitioner humbly prays that House resolution 314 be adopted.

And your petitioner will ever pray, etc.

W. B. FLEMING.

APPENDIX.

A REVIEW OF THE FINANCIAL LEGISLATION UPON WHICH THE MONEY MONOPOLY FATTENS AND WHICH THE ALDRICH SCHEME IS TO CROWN.

Early in the nineteenth century the financiers passed a law incorporating the United States Bank, and by that bank established a banking monopoly, which was destroyed by the heroic Andrew Jackson.

Not until the public mind was absorbed in the mighty struggle of the Civil War was any serious attempt thereafter made to again build up another; but in that struggle the money changers saw and took advantage of their opportunity.

In spite of its ravages and the vast destruction of property which that war entailed, the people of the United States were never so prosperous as they were at the time it was drawing to a close and immediately thereafter. This was largely because the people were supplied with an ample circulating medium issued and controlled by the Government. So ample was that currency that the business of the country was universally conducted upon a cash basis. The population of the loyal States was some 24,000,000 and the amount of money in circulation was \$1,180,197,147, or \$50 per capita. The times were so good that the sage Secretary of the Treasury, Mr. McCullough, said in his official report that the country was "too prosperous." The Secretary was the spokesman for the greed of those who wanted to "draw all wealth to themselves." What he really meant was that the wealth of the country was being too well distributed. A vast conspiracy was formed to change this order of things so that the great wealth of the United States might be diverted from the many to the few by the control in private hands of the circulating medium.

To this end it was necessary that the Treasury notes, public money, should be destroyed and be superseded by bank notes, private money. The foundations of this had already been laid by the national-bank system adopted in 1864, under which the national banks were made banks of issue. But in that year less than \$32,000,000 of these notes were in existence.

On April 12, 1866, an act was passed under which all Treasury notes were made convertible into bonds at the option of the owner. Under this act a large portion of the public money was exchanged for bonds, and the circulating medium thus greatly contracted. A tax was put on State-bank circulation to force its retirement. The demand notes, the one and two year notes, the compound-interest notes, the State-bank circulation, and other Treasury notes were withdrawn, until the aggregate of their retirement exceeded \$800,000,000. By 1869 the volume of money was reduced to \$750,000,000 for 40,000,000 people. That same year, by act of March 18, all the Government's obligations were made payable in coin. This included bonds bought with Treasury notes, and under the law payable in Treasury notes.

The panic of 1873 necessarily followed, and under its shadow, which long rested like a pall upon the country, the act of January 14, 1875, for the resumption of specie payments, was passed, providing that after January 1, 1879, the Secretary of the Treasury should redeem in coin the United States legal-tender notes then outstanding and sell bonds for that purpose. Under this act the public debt was increased and the reduction of the currency continued until Congress was forced by popular demand to pass the act of May 31, 1878, forbidding the further retirement of the legal-tender notes.

The next step in the evolution was to cut off the supply of silver money by closing the mints to silver coinage. Under cover of a bill which provided for revising and amending the laws relative to the mints, the coinage of silver was covertly dropped. By the same surreptitious method, under an act to codify the statutes, the legal tender quality of silver dollars for any sum in excess of \$5 was taken away.

This brought on the silver struggle. Popular agitation for the reopening of the mints and the recoinage of silver resulted in the partial restoration of silver coinage under the Bland-Allison bill of 1878, which was superseded in 1890 by the law known as the Sherman bill, whereby silver bullion to the amount of 4,500,000 ounces per month was purchased by the Government, against which were issued silver Treasury notes. These notes constitute a large part of the currency used in business to-day.

Under Presidents Harrison and Cleveland the Money Trust succeeded in having the Secretary of the Treasury surrender the option of the Government to redeem its notes in silver and in having them redeemed in gold.

The next step was to repeal the purchasing clause of the Sherman bill. To accomplish this Mr. Cleveland did not hesitate to use all the power of the Chief Executive, including the use of the Federal patronage. In addition the country was given "an object lesson." The command went forth from Wall Street that bank credits should be withheld. The panic of 1893 ensued. Some 600 banks failed and thousands lost their all. The commercial class was made to cry out for the repeal of the Sherman law. The Money Trust succeeded in repealing the Sherman law and in establishing the gold standard. Unfortunately in this fight the real issue was obscured by a contention for the ratio of 16 to 1—an arbitrary ratio. The question of ratio is a mere incident. The vital question involved, a currency supply of Federal money as against private money, was lost sight of.

The supply and use of silver thus curtailed, the trust busied itself with the Gage bill (Hill-Fowler bill), which boldly proposed to replace with bank issues the Government money—gold and silver certificates, greenbacks, and Treasury notes—aggregating nearly a billion dollars. But the Gage bill, prepared on the plan of the Baltimore Bankers' Convention, failed to pass. In 1900 the currency bill, a compromise measure urged by the Indianapolis Bankers' Monetary Convention, was passed. This was done in fulfillment of pledges made for enormous campaign contributions of 1904 and 1898. By this bill the Secretaries of the Treasury (commonly appointed at the dictation of the Money Trust) were vested with unlimited power to issue bonds; the tax on national-bank notes was reduced one-half; permission was given for the issue of national-bank notes to the full amount of bonds deposited, instead of 90 per cent as previously provided; Treasury notes were to be cancelled; short-term bonds were replaced with long-term bonds; and the greenbacks impounded. Treasury notes, including silver certificates, were made redeemable in gold; the gold dollar was made the standard unit of value; and thus the silver dollars themselves and all forms of indebtedness, private as well as public, were in effect made payable in gold or its equivalent, in spite of the Mathews resolution of 1878, which passed both Houses of Congress, declarative of the law which *vi et terminus* provided that the obligations of the Government might be paid in silver as well as gold dollars.

The panic of 1907 enabled the trust to take another step in its march toward the goal of arbitrary and complete control of the currency. The Aldrich-Vreeland bill, which authorizes national banks to issue asset currency to the extent of \$500,000,000, was passed. Under this law the banks may deposit railroad and other bonds and securities with the Secretary of the Treasury and receive national-bank notes for these pledges, and while drawing interest on the securities loan out the money received.

Of this law the Philadelphia North American said:

"This law will mean the turning over of the Treasury of the United States to the gamblers of the New York Stock Exchange; the making of 'good times' and 'bad times' a 'bull' market and 'bear' market, according to the pleasure of Rogers and Rockefeller, of the National City Bank, and J. P. Morgan, of the National Bank of Commerce; the gift to the chief enemies of the Nation of the power to issue or retire half a billion dollars, exciting speculation, or compelling disaster, according to whatever suits their betting book."

The national bank act was designed to concentrate the currency of the country in the great cities. The "reserve" banks are there and the money of the country banks deposited in the reserve banks counts under the law as so much cash on hand. By a premium offered in the way of interest the deposits of the country banks are thus drawn to the great cities, chiefly to New York. In that metropolis is gathered also the money of the great insurance companies. Here, too, are deposited vast sums from the National Treasury. This congestion of money in the big Wall Street banks serves to divert the currency from commercial to stock jobbing and speculative purposes and puts it in the power of the big financiers to dominate the country. The Wall Street banks have in alliance with them the big banks of Boston, Philadelphia, and Chicago. The principal owners of the stocks in these banks are the industrial trusts, and by an interlocking system of directorates, the railroads, the iron and steel and copper business, the telephones and telegraphs, the express companies, and the municipal utility corporations are all largely brought under a common control—a control which, as shown by Senator LA FOLLETTE in the Senate, is now reduced to some 14 men.

This power overawes city councils, State legislatures, the Congress, and even the Supreme Court itself. Worse still, it overawes the people, who are afraid to vote for a change of administration when this power is arrayed against them. When a fearless enemy of the system is nominated for the Presidency a panic is threatened by the Money Trust, and the voters know it is able to execute its threat.

This trust is above the law. It defies all the laws against monopoly, including the law of its own being, the law of the banking act. Under the national bank act, whenever a national bank fails to pay a depositor's check, it is the duty of the comptroller to put the bank into the hands of a receiver. This law was utterly ignored in the panics of 1893 and 1907, which the bankers themselves instigated, and the banks were allowed to refuse payments of depositors' checks and to issue and circulate as money clearing-house certificates.

Potential as it now is, the Money Trust is actively engaged in the effort to legalize all the powers it is now exercising and make it even more despotic. To this end it secured the Monetary Commission and its recommendation of the central reserve association, by which the trust would monopolize governmental authority over financial matters and in effect create a United States bank with practically sovereign powers over the money, the credits, and the business of the country. To have the scheme enacted into law, bankers' conventions have been held all over the country and a stupendous fund is being raised to influence public opinion and control Congress.